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इस भाग में भिन्न पृष्ठ संख्या दी जाती है जिससे कि यह अलग संकलन के रूप में रखा जा सके।
Separate paging is given to this Part in order that it may be filed as a separate compilation

MINISTRY OF LAW
(Legislative Department)

New Delhi, the 11th May, 1965/Vaisakha, 21, 1887 (Saka)

The following Act of Parliament received the assent of the President on the 11th May, 1965, and is hereby published for general information:—

THE FINANCE ACT, 1965

No. 10 OF 1965

[*11th May*, 1965].

An Act to give effect to the financial proposals of the Central Government for the financial year 1965-66.

BE it enacted by Parliament in the Sixteenth Year of the Republic of India as follows:—

1. (*1*) This Act may be called the Finance Act, 1965. Short title and commencement.

(2) Save as otherwise provided in this Act, sections 3 to 67 and 69 to 74 shall be deemed to have come into force on the 1st day of April, 1965, and section 68 shall be deemed to have come into force on the 1st day of March, 1965.

2. (*1*) Subject to the provisions of sub-sections (*2*), (*3*), (*4*) and (*5*), for the assessment year commencing on the 1st day of April, 1965, income-tax shall be charged at the rates specified in Part I of Income-tax.

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the First Schedule and, in the cases to which Paragraphs A, B, C and D of that Part apply, shall be increased by a surcharge for purposes of the Union calculated in either case in the manner provided therein.

(*2*) In making any assessment for the assessment year commencing on the 1st day of April, 1965, where the total income of an assessee, not being a company, includes any income chargeable under the head "Salaries", the income-tax payable by the assessee on that part of his total income which consists of such inclusion shall be an amount bearing to the total amount of income-tax and super-tax payable according to the rates applicable under the operation of the Finance Act, 1964, on his total income the same proportion as the amount of such inclusion bears to his total income. 5 of 1964

(*3*) In making any assessment for the assessment year commencing on the 1st day of April, 1965, where the total income of a company, other than the Life Insurance Corporation of India established under the Life Insurance Corporation Act, 1956, includes any profits and gains from life insurance business, the income-tax payable by it shall be the aggregate of the income-tax calculated - 31 of 1956.

(*i*) on the amount of profits and gains from life insurance business so included, at the rate applicable to the Life Insurance Corporation of India in accordance with Paragraph E of Part I of the First Schedule; and

(*ii*) on the remaining part of its total income, at the rate applicable to the company on its total income.

(*4*) In cases to which Chapter XII of the Income-tax Act, 1961 (hereinafter referred to as the Income-tax Act) applies, the tax chargeable shall be determined as provided in that Chapter, and with reference to the rates imposed by sub-section (*1*) or the rates as specified in that Chapter, as the case may be. 43 of 1961.

(*5*) (*a*) In respect of any assessment for the assessment year commencing on the 1st day of April, 1965—

(*i*) an assessee being an Indian company or any other company which has made the prescribed arrangements for the declaration and payment of dividends within India or an assessee (other than a company) whose total income includes any profits and gains derived from the export of any goods or merchandise out of India, shall be entitled to a deduction, from the amount of income-tax with which he is chargeable, of an amount equal to the income-tax calculated at one-tenth of the average rate of income-tax on the amount of such profits and gains included in the total income:

(*ii*) where an assessee of the type referred to in sub-clause (*i*) engaged in the manufacture of any articles in an industry specified in the First Schedule to the Industries (Development and Regulation) Act, 1951, has during the previous year exported such articles out of India, he shall be entitled, in addition to the deduction of income-tax referred to in sub-clause (*i*), to a further deduction, from the amount of income-tax with which he is chargeable for the assessment year, of an amount equal to the income-tax calculated at the average rate of income-tax on an 65 of 1951.

amount equal to two per cent. of the sale proceeds receivable by him in respect of such export;

(*iii*) where an assessee of the type referred to in sub-clause (*i*) engaged in the manufacture of any articles in an industry specified in the said First Schedule has, during the previous year, sold such articles to any other person in India who himself has exported them out of India and evidence is produced before the Income-tax Officer of such articles having been so exported, the assessee shall be entitled to a deduction, from the amount of income-tax with which he is chargeable for the assessment year, of an amount equal to the income-tax calculated at the average rate of income-tax on a sum equal to two per cent. of the sale proceeds receivable by him in respect of such articles from the exporter.

(*b*) The total of the deductions under this sub-section shall in no case exceed the amount of income-tax otherwise payable by the assessee.

(*c*) Nothing contained in sub-clause (*ii*) and sub-clause (*iii*) of clause (*a*) shall apply,—

(*i*) in relation to—

(*1*) fuels,

(*2*) fertilisers,

(*3*) photographic raw film and paper,

(*4*) textiles (including those dyed, printed or otherwise processed) made wholly or in part of jute, including jute twine and rope,

(*5*) newsprint,

(*6*) pulp—wood pulp, mechanical, chemical, including dissolving pulp,

(*7*) sugar,

(*8*) vegetable oils and vanaspathi,

(*9*) cement and gypsum products,

(*10*) arms and ammunition, and

(*11*) cigarettes,

respectively specified in items 2, 18, 20, 23(2), 24(2), 24(5), 25, 28, 35, 37 and 38 of the First Schedule to the Industries (Development and Regulation) Act, 1951; or

65 of 1951.

(*ii*) in relation to textiles specified in items 23(1), 23(3), 23(4) and 23(5) of that Schedule where such textiles have been exported before the 1st day of March, 1964.

(*d*) The amount of any profits and gains derived from the export of any goods or merchandise out of India in respect of which deduction of income-tax is admissible under sub-clause (*i*) of clause (*a*) shall be computed in accordance with the rules made by the Central Board of Direct Taxes in this behalf.

(*6*) In cases in which tax has to be deducted under sections 193 to 195 of the Income-tax Act at the rates in force, the deduction shall be made at the rates specified in Part II of the First Schedule.

(7) For the purposes of this section, and of the rates of income-tax imposed thereby, and of section 3—

(*i*) the expressions "assessment year", "average rate of income-tax", "non-resident", "partner", and "total income" have, unless the context otherwise requires, the meanings respectively assigned to them under clauses (*9*), (*10*), (*30*), (*23*) and (*45*) of section 2 of the Income-tax Act;

(*ii*) the expression "earned income" means any income of an assessee who is an individual, Hindu undivided family, unregistered firm or other association of persons or body of individuals, whether incorporated or not, not being a company, a local authority, a registered firm or a firm assessed under clause (*b*) of section 183 of the said Act—

(*a*) which is chargeable under the head "Salaries"; or

(*b*) which is chargeable under the head "Profits and gains of business or profession" where the business or profession is carried on by the assessee or, in the case of a firm, where the assessee is a partner actively engaged in the conduct of the business or profession; or

(*c*) which is chargeable under the head "Income from other sources" if it is immediately derived from personal exertion or represents a pension or superannuation or other allowance given to the assessee in respect of the past services of any deceased person, or which is chargeable under that head under clause (*ia*) of sub-section (*2*) of section 56 of the Income-tax Act; and

includes any such income which, though it is the income of another person, is included in the assessee's income under the provisions of the Income-tax Act, but does not include any such income on which income-tax is not payable under clause (*iii*) or clause (*v*) of section 86 of that Act or which is exempted from tax under a notification issued under section 60 of the Indian Income-tax Act, 1922, as continued in force by clause (*l*) of sub-section (*2*) of section 297 of the Income-tax Act; 11 of 1922.

(*iii*) the expression "unearned income" means income which is not "earned income".

Annuity deposit.

3. (*1*) Save as otherwise provided in Chapter XXIIA of the Income-tax Act, annuity deposit for the assessment year commencing on the 1st day of April, 1965 shall be made by every person to whom the provisions of that Chapter apply at the rates specified in the Second Schedule.

(2) For the purposes of this section and the Second Schedule, the expressions "adjusted total income", "annuity deposit" and "depositor" have the meanings respectively assigned to them under clauses (1), (5) and (6) of section 280B of the Income-tax Act.

Amendment of section 2.

4. In section 2 of the Income-tax Act,—

(i) in clause (7), for the words "income-tax or super-tax", the words "any tax" shall be substituted;

(ii) clause (11) shall be omitted;

(iii) in clause (18),—

(i) in sub-clause (b) (i), for the words and brackets "held by, the Government or a corporation established by a Central, State or Provincial Act or the public (not being a director, or a company to which this clause does not apply)", the following shall be substituted, namely:—

"held by—

(a) the Government, or

(b) a corporation established by a Central, State or Provincial Act, or

(c) any company to which this clause applies or any subsidiary company of such company where such subsidiary company fulfils the conditions laid down in clause (b) of section 108 (hereinafter in this clause referred to as the subsidiary company), or

(d) the public (not being a director, or a company to which this clause does not apply)";

(ii) in clause (i) of *Explanation 1*, after the word "applies", the words "or the subsidiary company of such company" shall be inserted;

(iv) in clause (22), after sub-clause (i), the following sub-clause shall be inserted, namely:—

"(ia) a distribution made in accordance with sub-clause (c) or sub-clause (d) in so far as such distribution is attributable to the capitalised profits of the company representing bonus shares allotted to its equity shareholders after the 31st day of March, 1964;";

(v) in clause (30), the figures ", 113" shall be omitted;

(vi) for clause (43), the following clauses shall be substituted, namely:—

'(43) "tax" in relation to the assessment year commencing on the 1st day of April, 1965, and any subsequent

assessment year means income-tax chargeable under the provisions of this Act, and in relation to any other assessment year income-tax and super-tax chargeable under the provisions of this Act prior to the aforesaid date;

(*43A*) "tax credit certificate" means a tax credit certificate granted to any person in accordance with the provisions of Chapter XXIIB and any scheme made thereunder;';

(*vii*) clause (*46*) shall be omitted.

Amendment of section 8.

5. In section 8 of the Income-tax Act,—

(*i*) for the words "For the purposes of inclusion in the total income of an assessee, any dividend", the words, brackets and letter "For the purposes of inclusion in the total income of an assessee,—

(*a*) any dividend" shall be substituted;

(*ii*) the following clause shall be inserted at the end, namely:—

"(*b*) any interim dividend shall be deemed to be the income of the previous year in which the amount of such dividend is unconditionally made available by the company to the member who is entitled to it.".

Amendment of section 10.

6. In section 10 of the Income-tax Act,—

(*i*) after clause (*4*), the following clause shall be inserted, namely:—

"(*4A*) in the case of a non-resident, any income from interest on moneys standing to his credit in a non-resident account in any bank in India in accordance with the Foreign Exchange Regulation Act, 1947, and any rules made thereunder;"; 7 of 1947.

(*ii*) in sub-clause (*vii*) (*a*) of clause (*6*),—

(*a*) after the words "such person continues", the words, figure and letters "with the approval of the Central Government obtained before the 1st day of October of the relevant assessment year" shall be inserted;

(*b*) for the words "twenty-four months", the words "sixty months" shall be substituted;

(*iii*) for clause (*13*), the following clause shall be substituted and shall be deemed always to have been substituted, namely:—

"(*13*) any payment from an approved superannuation fund made—

(*i*) on the death of a beneficiary; or

(*ii*) to an employee in lieu of or in commutation of an annuity on his retirement at or after a specified age or on his becoming incapacitated prior to such retirement; or

(*iii*) by way of refund of contributions on the death of a beneficiary; or

(*iv*) by way of refund of contributions to an employee on his leaving the service in connection with which the fund is established otherwise than by retirement at or after a specified age or on his becoming incapacitated prior to such retirement, to the extent to which such payment does not exceed the contributions made prior to the commencement of this Act and any interest thereon;";

(*iv*) after clause (*27*), the following clause shall be inserted, namely:—

"(*28*) in the case of any person granted a tax credit certificate, any amount adjusted or paid to him in respect of such certificate under the provisions of Chapter XXIIB and any scheme made thereunder.".

Amendment of section 18.

7. In section 18 of the Income-tax Act, in clause (*i*) of sub-section (*1*), after the word "Government", the words, figures and letters "not being interest payable under section 280D in respect of any annuity deposit made under Chapter XXIIA" shall be inserted.

Amendment of section 33.

8. In section 33 of the Income-tax Act,—

(*i*) in sub-section (*1*), for clause (*iii*), the following clause shall be substituted, namely:—

"(*iii*) in the case of machinery or plant installed after the 31st day of March, 1961—

(*a*) where the machinery or plant is installed after the 31st day of March, 1963 and before the 1st day of April, 1966 for the purposes of business of mining coal, thirty-five per cent. of the actual cost of the machinery or plant to the assessee,

(*b*) where the machinery or plant is installed before the 1st day of April, 1965 for the purposes of any other business, twenty per cent.,

(*c*) where the machinery or plant is installed after the 31st day of March, 1965—

(*A*) for the purposes of business of construction, manufacture or production of any one or more of the articles or things specified in the list in the Fifth Schedule, twenty-five per cent. of the actual cost of the machinery or plant to the assessee, and

(*B*) for the purposes of any other business,—

(*a*) twenty per cent. of the actual cost of the machinery or plant to the assessee, where it is installed before the 1st day of April, 1967; and

(*b*) fifteen per cent. of such cost, in any other case,";

(*ii*) in sub-section (*2*), for the words, brackets, figures and letter "any allowance under sub-section (*1*) or sub-section (*1A*)", wherever they occur, the words, brackets, figures and letters "any allowance under sub-section (*1*) or sub-section (*1A*) of this section or sub-section (*1*) of section 33A" shall be substituted;

(*iii*) after sub-section (5), the following sub-section shall be inserted, namely:—

"(*6*) Notwithstanding anything contained in the foregoing provisions of this section, no deduction by way of development rebate shall be allowed in respect of any machinery or plant installed after the 31st day of March, 1965 in any office premises or any residential accommodation, including any accommodation in the nature of a guest-house.".

Insertion of new section 33A.

9. After section 33 of the Income-tax Act, the following section shall be inserted, namely:—

Development allowance.

'33A. (*1*) In respect of planting of tea bushes on any land in India owned by an assessee who carries on business of growing and manufacturing tea in India, a sum by way of development allowance equivalent to—

(*i*) where tea bushes have been planted on any land not planted at any time with tea bushes or on any land which had been previously abandoned, forty per cent. of the actual cost of planting; and

(*ii*) where tea bushes are planted in replacement of tea bushes that have died or have become permanently useless on any land already planted, twenty per cent, of the actual cost of planting.

shall, subject to the provisions of this section, be allowed as a deduction in respect of the third succeeding previous year next following the previous year in which the land is prepared for planting or replating, as the case may be:

Provided that no deduction under clause (*i*) shall be allowed unless the planting has commenced after the 31st day of March, 1965, and no deduction shall be allowed under clause (*ii*) unless the planting has commenced after the 31st day of March, 1965, and been completed before the 1st day of April. 1970.

(*2*) Where the total income of the assessee assessable for the assessment year relevant to the third succeeding previous year next following the previous year in which the land has been prepared [the total income for this purpose being computed after making the allowance under sub-section (*1*) or sub-section (*1A*) or clause (*ii*) of sub-section (*2*) of section 33 but without making any allowance under sub-section (*1*) of this section] is *nil* or is less than the full amount of the development allowance calculated at the rates specified in sub-section (*1*)—

(*i*) the sum to be allowed by way of development allowance for that assessment year under sub-section (*1*) shall be only such amount as is sufficient to reduce the said total income to *nil;* and

(*ii*) the amount of the development allowance, to the extent to which it has not been allowed as aforesaid, shall be carried forward to the following assessment year, and the development allowance to be allowed for the following assessment year shall be such amount as is sufficient to reduce the total income of the assessee assessable for that assessment year, computed in the manner aforesaid, to *nil,* and the balance of the development allowance, if any, still outstanding shall be carried forward to the following assessment year and so on, so however, that no portion of the development allowance shall be carried forward for more than eight assessment years immediately succeeding the assessment year in which the deduction was first allowable.

Explanation.—Where for any assessment year development allowance is to be allowed in accordance with the provisions of sub-section (*2*) in respect of more than one

previous year, and the total income of the assessee assessable for that assessment year [the total income for this purpose being computed after making the allowance under sub-section (*1*) or sub-section (*1A*) or clause (*ii*) of sub-section (*2*) of section 33 but without making any allowance under sub-section (*1*) of this section] is less than the amount of the development allowance due to be made in respect of that assessment year, the following procedure shall be followed, namely :—

(*i*) the allowance under clause (*ii*) of sub-section (*2*) of this section shall be made before any allowance under clause (*i*) of that sub-section is made; and

(*ii*) where an allowance has to be made under clause (*ii*) of sub-section (*2*) of this section in respect of amounts carried forward from more than one assessment year, the amount carried forward from an earlier assessment year shall be allowed before any amount carried forward from a later assessment year.

(*3*) The deduction under sub-section (*1*) shall be allowed only if the following conditions are fulfilled, namely:—

(*i*) the particulars prescribed in this behalf have been furnished by the assessee;

(*ii*) an amount equal to seventy-five per cent. of the development allowance to be actually allowed is debited to the profit and loss account of the relevant previous year and credited to a reserve account to be utilised by the assessee during a period of eight years next following for the purposes of the business of the undertaking, other than—

(*a*) for distribution by way of dividends or profits; or

(*b*) for remittance outside India as profits or for the creation of any asset outside India; and

(*iii*) such other conditions as may be prescribed.

(*4*) If any such land is sold or otherwise transferred by the assessee to any person at any time before the expiry of eight years from the end of the previous year in which the deduction under sub-section (*1*) was allowed, any allowance under this section shall be deemed to have been wrongly made for the purposes of this Act, and the provisions of sub-section (*5A*) of section 155 shall apply accordingly:

Provided that this sub-section shall not apply—

(*i*) where the land is sold or otherwise transferred by the assessee to the Government, a local authority, a corporation established by a Central, State or Provincial Act or a Government company as defined in section 617 of the Companies Act, 1956; or

1 of 1956.

(*ii*) where the sale or transfer of the land is made in connection with the amalgamation or succession referred to in sub-section (5) or sub-section (6).

(5) Where in a scheme of amalgamation, a company (hereinafter in this sub-section referred to as the predecessor) sells or otherwise transfers to the company formed in pursuance of the predecessor's amalgamation with that company (hereinafter in this sub-section referred to as the successor) any land in respect of which development allowance has been allowed to the predecessor under sub-section (*1*),—

(*a*) the successor shall continue to fulfil the conditions mentioned in sub-section (*3*) in respect of the reserve created by the predecessor and in respect of the period within which such land shall not be sold or otherwise transferred and in default of any of these conditions, the provisions of sub-section (*5A*) of section 155 shall apply to the successor as they would have applied to the predecessor had it committed the default;

(*b*) the balance of development allowance, if any, still outstanding to the predecessor in respect of such land shall be allowed to the successor in accordance with the provisions of sub-section (*2*), so however, that the total period for which the balance of development allowance shall be carried forward in the assessments of the predecessor and the successor shall not exceed the period of eight years specified in sub-section (*2*) and the successor shall be treated as the assessee in respect of such land for the purposes of this section.

Explanation.—For the purposes of this sub-section, "amalgamation" shall have the meaning assigned to it in the *Explanation* to sub-section (*3*) of section 33.

(*6*) Where a firm is succeeded to by a company in the business carried on by it as a result of which the firm sells or otherwise transfers to the company any land on which development allowance has been allowed, the provisions of clauses (*a*) and (*b*) of

sub-section (5) shall, so far as may be, apply to the firm and the company.

Explanation.—The provisions of this sub-section shall apply if the conditions laid down in the *Explanation* to sub-section (4) of section 33 are fulfilled.

(7) For the purposes of this section, "actual cost of planting" means the aggregate of—

(*i*) the cost of preparing the land;

(*ii*) the cost of seeds, cutting and nurseries;

(*iii*) the cost of planting and replanting; and

(*iv*) the cost of up-keep thereof for the previous year in which the land has been prepared and the three successive previous years next following such previous year,

reduced by that portion of the cost, if any, as has been met directly or indirectly by any other person or authority:

Provided that where such cost exceeds twelve thousand five hundred rupees per hectare in respect of land situate in a hilly area or exceeds ten thousand rupees per hectare in any other area, then the excess shall be ignored.

(8) The Board may, having regard to the elevation and topography, by general or special order, declare any areas to be hilly areas for the purposes of this section and such order shall not be questioned before any court of law or any other authority.'.

Amendment of section 34.

10. In section 34 of the Income-tax Act, in the *Explanation* to clause (*i*) of sub-section (2), for the words, brackets and figures "is transferred by a company to a subsidiary company, then, if the conditions of clause (*iv*) of section 47 are satisfied", the following shall be substituted, namely :—

"is transferred by a holding company to its subsidiary company or by a subsidiary company to its holding company, then, if the conditions of clause (*iv*) or, as the case may be, of clause (*v*) of section 47 are satisfied".

Amendment of section 36.

11. In section 36 of the Income-tax Act, in sub-section (*1*), after clause (*viii*), the following clause shall be inserted, namely:—

"(*ix*) any expenditure *bona fide* incurred by a company for the purpose of promoting family planning amongst its employees:

Provided that where such expenditure or any part thereof is of a capital nature, one-fifth of such expenditure shall be deducted for the previous year in which it was incurred; and the balance thereof shall be deducted in equal instalments for each of the four immediately succeeding previous years:

Provided further that the provisions of sub-section (2) of section 32 and of sub-section (2) of section 72 shall apply in

relation to deductions allowable under this clause as they apply in relation to deductions allowable in respect of depreciation:

Provided further that the provisions of clauses (*ii*), (*iii*), (*iv*) and (*v*) of sub-section (2) of section 35, of sub-section (3) of section 41 and of *Explanation 1* to clause (1) of section 43 shall, so far as may be, apply in relation to an asset representing expenditure of a capital nature for the purposes of promoting family planning as they apply in relation to an asset representing expenditure of a capital nature on scientific research.".

Amendment of section 37.

12. In section 37 of the Income-tax Act, in clause (*i*) of sub-section (2), after the word and figures "section 33", the words, figures and letter "or section 33A" shall be inserted.

Amendment of section 40.

13. In section 40 of the Income-tax Act, in sub-clause (*iii*) of clause (c),—

(*a*) in the proviso—

(*i*) after the words, brackets and figure "in sub-clause (*i*)", the words, brackets and figures "or any payment of tax referred to in sub-clause (*vii*)" shall be inserted;

(*ii*) after the words, brackets and figures "clause (*iv*) or clause (*v*)", the words, brackets and figures "or any expenditure referred to in clause (*ix*)" shall be inserted;

(b) after the proviso, the following proviso shall be inserted, namely:—

'Provided further that nothing in this sub-clause shall apply to any expenditure which results directly or indirectly in the provision of any benefit or amenity or perquisite to an employee whose income chargeable under the head "Salaries" is seven thousand five hundred rupees or less.'.

Amendment of section 43.

14. In section 43 of the Income-tax Act,—

(*a*) for *Explanation 6* to clause (*1*), the following *Explanation* shall be substituted, namely:—

"*Explanation 6.*—When any capital asset is transferred by a holding company to its subsidiary company or by a subsidiary company to its holding company, then, if the conditions of clause (*iv*) or, as the case may be, of clause (*v*) of section 47 are satisfied, the actual cost of the transferred capital asset to the transferee company shall be taken to be the same as it would have been if the transferor company had continued to hold the capital asset for the purposes of its business.";

(b) for *Explanation 2* to clause (*6*), the following *Explanation* shall be substituted, namely:—

"*Explanation 2.*—When any capital asset is transferred by a holding company to its subsidiary company or by a

subsidiary company to its holding company, then, if the conditions of clause (*iv*) or, as the case may be, of clause (*v*) of section 47 are satisfied, the written down value of the transferred capital asset to the transferee company shall be taken to be the same as it would have been if the transferor company had continued to hold the capital asset for the purposes of its business.".

Amendment of section 47

15. In section 47 of the Income-tax Act, after clause (*iv*), the following clause shall be inserted, namely:—

"(*v*) any transfer of a capital asset by a subsidiary company to the holding company if—

(*a*) the whole of the share capital of the subsidiary company is held by the holding company, and

(*b*) the holding company is an Indian company.".

Amendment of section 49.

16. In section 49 of the Income-tax Act,—

(*i*) in sub-clause (*e*) of clause (*iii*), after the word, brackets and figures "clause (*iv*)", the words, brackets and figure "or clause (*v*)" shall be inserted;

(*ii*) at the end, the following *Explanation* shall be added, namely:—

'*Explanation.*—In this section the expression "previous owner of the property" in relation to any capital asset owned by an assessee means the last previous owner of the capital asset who acquired it by a mode of acquisition other than that referred to in clause (*i*) or clause (*ii*) or clause (*iii*) of this section.'.

Insertion of new section 54A.

17. After section 54 of the Income-tax Act, the following section shall be inserted, namely :—

Relief of tax on capital gains in certain cases.

'54A. (*1*) Where in the case of an assessee, being an individual who is not a citizen of India or being a company which is not an Indian company, a capital gain arises from the transfer of a capital asset, being shares in an Indian company, and the assessee has, within a period of two years from the date of such transfer, re-invested the full value of the consideration or any part thereof received or accruing as a result of such transfer in an investment approved by the Central Government in this behalf (hereinafter in this section referred to as the approved investment), the assessee shall, subject to the provisions of sub-section (*3*), be entitled to a credit of a sum calculated in accordance with the provisions of sub-section (*2*).

(*2*) The amount to be given as credit under sub-section (*1*) shall be a sum which bears to the amount of income-tax payable by the assessee on the income chargeable under the head "Capital gains" arising from the transfer referred to in sub-section (*1*) the same proportion as the amount invested in the approved investment as reduced by the cost of acquisition [as ascertained for the purposes of clause (*ii*) of section 48] of the transferred shares bears to the capital gains arising from such transfer.

(3) The amount of credit so calculated shall be given in the following manner, namely:—

(*a*) if the approved investment is made by the assessee within the period of two years aforesaid and before the completion of the assessment in respect of the year in which the income arising from such transfer is chargeable to tax, the amount of the credit shall, on the assessee making a claim in this behalf in the prescribed form and in the prescribed manner, be adjusted against the tax payable by the assessee in respect of that assessment year, and

(*b*) if the approved investment is made by the assessee within the period of two years aforesaid but after the assessment for the relevant year is made, the amount of the credit shall, on the assessee making a claim in the prescribed form and in the prescribed manner, be deemed to be refund due to the assessee under Chapter XIX and all the provisions of this Act shall apply accordingly.'.

Amendment of section 56.

18. In section 56 of the Income-tax Act, in sub-section (*2*), after clause (*i*), the following clause shall be inserted, namely:—

"(*ia*) income referred to in sub-clause (*viii*) of clause (*24*) of section 2;".

Insertion of new section 69B.

19. After section 69A of the Income-tax Act, the following section shall be inserted under the sub-heading "*Aggregation of Income*", namely :—

Amount of investments etc., not fully disclosed in books of account.

"69B. Where in any financial year the assessee has made investments or is found to be the owner of any bullion, jewellery or other valuable article, and the Income-tax Officer finds that the amount expended on making such investments or in acquiring such bullion, jewellery or other valuable article exceeds the amount recorded in this behalf in the books of account maintained by the assessee for any source of income, and the assessee offers no explanation about such excess amount or the explanation offered by him is not, in the opinion of the Income-tax Officer, satisfactory, the excess amount may be deemed to be the income of the assessee for such financial year.".

Insertion of new Chapter VIA.

20. After section 80 of the Income-tax Act, the following Chapter and sections shall be inserted, namely:—

'CHAPTER VIA

DEDUCTIONS TO BE MADE IN COMPUTING TOTAL INCOME

Deduction in respect of life insurance premia, annuities and contributions to provident fund, etc.

80A. (*1*) In computing the total income of an assessee there shall be deducted, in accordance with and subject to the provisions of this section, an amount equal to sixty per cent. of the first five thousand rupees of the aggregate of the sums specified in sub-section (*2*) and fifty per cent. of the balance, if any, of such aggregate.

(*2*) The sums referred to in sub-section (*1*) shall be the following, namely:—

(*a*) where the assessee is an individual, any sums paid in the previous year by the assessee out of his income chargeable to tax—

(*i*) to effect or to keep in force an insurance on the life of the assessee or on the life of the wife or husband of the assessee; or

(*ii*) to effect or to keep in force a contract for a deferred annuity on the life of the assessee or on the life of the wife or husband of the assessee; or

(*iii*) as a contribution to any provident fund to which the Provident Funds Act, 1925 applies; 19 of 1925.

(*b*) where the assessee is a Hindu undivided family, any sums paid in the previous year by the assessee out of its income chargeable to tax, to effect or to keep in force an insurance on the life of any male member of the family or of the wife of any such member;

(*c*) any sum deducted in the previous year from the salary payable by or on behalf of the Government to any individual being a sum deducted in accordance with the conditions of his service, for the purpose of securing to him a deferred annuity or making provision for his wife or children, in so far as the sum so deducted does not exceed one-fifth of the salary;

(*d*) if the assessee is an employee participating in a recognized provident fund, his own contributions to his individual account in the fund in the previous year, in so far as the aggregate of such contributions does not exceed one-fifth of his salary in that previous year or eight thousand rupees, whichever is less.

Explanation.—In clause (*d*) of this sub-section and in clause (*d*) of sub-section (*1*) of section 87, "salary" shall have the meaning assigned to it in clause (*h*) of rule 2 of Part A of the Fourth Schedule;

(*e*) if the assessee is an employee participating in an approved superannuation fund, any sum paid in the previous year by him by way of contribution towards the superannuation fund;

(*f*) where the assessee is an individual, any sums deposited, in the previous year by the assessee out of his income chargeable to tax, in a ten-year account or a fifteen-year account under the Post Office Savings Bank (Cumulative Time Deposits) Rules, 1959, as amended from time to time.

(*3*) The provisions of clauses (*a*) and (*b*) of sub-section (*2*) shall apply only to so much of any premium or other payment made on a policy other than a contract for a deferred annuity as is not in excess of ten per cent. of the actual capital sum assured.

Explanation.—In calculating any such capital sum, no account shall be taken—

(*i*) of the value of any premiums agreed to be returned, or

(*ii*) of any benefit by way of bonus or otherwise over and above the sum actually assured, which is to be or may be received under the policy by any person.

(*4*) The aggregate of the sums referred to in sub-section (*2*), which qualifies for the purposes of computing the deduction referred to in sub-section (*1*), shall not exceed—

(*i*) in the case of an individual being an author, playwright, artist, musician or actor, such percentage of his total income, as computed before making any deduction under this Chapter and before deduction of any amount of annuity deposit under section 280O, or such amount, as may be prescribed :

Provided that such individual has effected an insurance referred to in sub-clause (*i*) of clause (*a*) of sub-section (*2*) prior to the 1st day of March, 1964 and has paid any sum in the previous year to keep in force such insurance;

(*ii*) in the case of any other individual [including an author, playwright, artist, musician or actor to whom the provisions of clause (*i*) do not apply], twenty-five per cent. of the total income, as computed before making any deduction under this Chapter and before deduction of any amount of annuity deposit under section 280O, or twelve thousand five hundred rupees, whichever is less;

(*iii*) in the case of a Hindu undivided family, twenty-five per cent. of its total income, as computed before making any deduction under this Chapter and before deduction of any amount of annuity deposit under section 280O, or twenty-five thousand rupees, whichever is less.

(5) If the total income of the assessee includes any income chargeable under the head "Salaries", the deduction under sub-section (1) shall be made in computing the income under that head, and if there is no income chargeable under that head, or if the amount required to be deducted exceeds such income, the whole or the balance of the amount required to be deducted shall be allowed as a deduction in computing earned income chargeable under any other head, and, if there is no earned income chargeable under any other head or the whole or the balance of the amount required to be deducted exceeds such earned income, the whole or the balance of the amount required to be deducted shall be allowed as a deduction in computing any other income under any head.

(6) This section shall apply in respect of—

(i) the assessment year commencing on the 1st day of April, 1966 and any subsequent assessment year, in the case of an assessee whose total income includes any income chargeable under the head "Salaries" from which tax is deducted, or deductible, at source in accordance with the provisions of section 192; and

(ii) the assessment year commencing on the 1st day of April, 1965 and any subsequent assessment year, in the case of any other assessee.

Deduction in respect of medical treatment, etc., of handicapped persons.

80B. (1) Where an assessee who is resident in India, being an individual or Hindu undivided family, who has, during the previous year, incurred out of his or its income chargeable to income-tax, any expenditure for the medical treatment (including nursing) of a person who—

(a) is a relative of the individual, or, as the case may be, is a member of the Hindu undivided family and is not dependent on any person other than such individual or Hindu undivided family for his support or maintenance, and

(b) is suffering from a physical or mental disability which is certified by a registered medical practitioner to have the effect of reducing considerably such person's capacity for normal work or engaging in a gainful employment (hereinafter in this section referred to as handicapped dependant),

the assessee shall, subject to the provisions of this section, be allowed a deduction of the amount specified in sub-section (2) in the computation of his total income in respect of the previous year.

(2) The deduction under sub-section (1) shall be—

(i) in a case where the handicapped dependant has, for a period of one hundred and eighty-two days or more during the previous year, been admitted in a hospital or a nursing home or a medical institution or in such other institution as may be notified by the Central Government in the Official Gazette to be an institution for the care of handicapped persons, and fees and charges for his medical treatment (including nursing) are payable to such hospital or nursing home or medical or other institution, as the case may be, a sum of two thousand four hundred rupees, or

(ii) in any other case, a sum of six hundred rupees,

as reduced, in either case, by an amount equal to the income, if any, of the handicapped dependant in respect of the previous year :

Provided that where the assessee has, during the previous year, incurred expenditure on more than one handicapped dependant, the deduction under sub-section (1) shall be allowed only with reference to one such handicapped dependant as may be chosen by the assessee.

(3) If the total income of the assessee includes any earned income, the allowance referred to in sub-section (1) shall be made in computing the earned income chargeable under any head, and if there is no such income or the amount of the allowance exceeds such income, the whole or the balance of such amount, as the case may be, shall be allowed as a deduction in computing the assessee's unearned income chargeable under any head.

Relief relating to payment for securing retirement annuities.

80C. (1) Where in the case of an assessee, being an individual who is a citizen of India and is resident in India, his share in the income of a registered firm which renders professional service as chartered accountant, solicitor, lawyer, architect, or such other professional service as may be notified in this behalf by the Central Government in the Official Gazette is chargeable to tax and he has paid out of his income chargeable to tax a premium (by whatever name called) in any previous

year under an annuity contract for the time being approved by the Commissioner as having for its main object the provision for the individual of a life annuity in old age (hereinafter in this section referred to as qualifying premium), then the assessee shall, subject to the provisions of this section, be allowed a deduction of the amount of the qualifying premium in the computation of his total income in respect of the previous year:

Provided that the amount which may be so deducted shall not exceed the sum of five thousand rupees or one-tenth of his total income for that year, whichever is less:

Provided further that any annuity payable to the individual shall be deemed to be his earned income to the extent to which it is attributable to the amount in respect of which deduction has been allowed under this section and chargeable to tax accordingly.

Explanation.—For the purposes of the first proviso, "total income" means the total income computed in accordance with the provisions of this Act, before making any deduction under this Chapter and before deduction of any amount of annuity deposit under section 280O but excluding any income which would otherwise be included in his total income under the provisions of section 64.

(2) Subject to sub-section (3) and any rules made by the Board in this behalf, the Commissioner shall not approve a contract unless he is satisfied that it does not—

(a) provide for the payment during the life of the individual of any sum except sums payable by way of annuity to the individual; or

(b) provide for the annuity payable to the individual to commence before he attains the age of fifty-eight or after he attains the age of sixty-eight; or

(c) provide for the payment of any other sums except sums payable by way of annuity to the individual's widow or widower and any sums which, in the event of no annuity becoming payable either to the individual or to a widow or widower of the individual, are payable to the individual's legal representative, by way of return of premiums, by way of reasonable interest on premiums and by way of bonus out of profits; or

(d) provide for the payment of annuity, if any, payable to a widow or widower of the individual to be of a greater annual amount than that paid or payable to the individual; or

(*e*) provide for the payment of any annuity otherwise than for the life of the annuitant;

and that it does include a provision that no annuity payable under it shall be capable in whole or in part of surrender, commutation or assignment.

(*3*) The Commissioner may, if he thinks fit, and subject to any conditions the Board may, by rules, prescribe and subject to any conditions he thinks proper to impose, approve a contract notwithstanding that the contract provides for one or more of the following matters, that is to say,—

(*a*) for the payment after the individual's death of an annuity to a dependant other than the widow or widower of the individual;

(*b*) for the payment to the individual of an annuity commencing before he attains the age of fifty-eight, if the annuity is payable on his becoming incapable through infirmity of mind or body of being actively engaged in his profession or any profession of a similar nature for which he is trained or fitted;

(*c*) for the annuity payable to any person to continue for a specified term (not exceeding ten years), notwithstanding his death within that term;

(*d*) in the case of an annuity which is to continue for such specified term, for the annuity to be assignable by will.

(*4*) The foregoing provisions of this section shall apply in relation to a contribution (by whatever name called) to a fund approved by the Commissioner as they apply in relation to any premium under an annuity contract so approved provided the fund satisfies also the conditions set out below and any other conditions which the Board may, by rules, prescribe, namely :—

(*a*) the fund shall be a fund established in India under an irrevocable trust for the benefit of individuals engaged in any profession referred to in sub-section (*1*);

(*b*) the fund shall have for its sole purpose the provision of annuities for individuals engaged in such profession on attaining a specified age or on their becoming incapacitated prior to attaining such age, or for the widow, children or dependants of such persons on their death;

(*c*) all annuities, pensions and other benefits granted from the fund shall be payable only in India.

(5) The Commissioner may, at any time, after giving a reasonable opportunity of showing cause against the proposed withdrawal to the persons by and to whom premiums are payable under any contract for the time being approved under this section, or to the trustees of any fund so approved, withdraw the approval.

(6) Notwithstanding anything contained in sub-sections (1) and (4), no deduction under this section shall be allowed in the case of any individual—

(i) whose total income includes unearned income of more than ten thousand rupees; or

(ii) who is entitled to any pension or participating in any pension or superannuation scheme.

(7) The allowance under this section shall be made in computing the earned income of the assessee included in the total income, so however, that the allowance shall not in any case exceed the amount of the income computed under the head "Profits and gains of business or profession".

(8) Any annuity payable under an approved contract referred to in sub-section (1) or from any fund referred to in sub-section (4), to a person other than the individual who pays the premium or makes the contribution and any interest on premiums or bonus out of profits payable to such person, shall be deemed to be his unearned income to the extent it is attributable to the amount of deduction allowed under sub-section (1) and chargeable to tax accordingly.

(9) Where any payment by way of annuity or otherwise is made by a person to whom premiums or contributions are payable under sub-section (1) or sub-section (4), such person shall, subject to any rules made by the Board in this behalf, deduct from the total amount so paid during any financial year, tax at such rate or rates in force in that year as would be applicable to such amount, if it were the total income and shall pay the amount so deducted to the credit of the Central Government within the prescribed time and in such manner as the Board may direct and the provisions of section 201 shall, so far as may be, apply to such person if he does not deduct, or after deducting fails to pay, such tax.

(10) Where a deduction under this section is claimed and allowed for any assessment year in respect of any payment, relief shall not be given in respect of it under any other provision of this Act for the same or a later assessment year nor (in the case

of a payment under an annuity contract) in respect of any other premium or consideration for an annuity under the same contract.

(*11*) (*a*) The Board may, by notification in the Official Gazette, make rules for carrying out the purposes of this section.

(*b*) In particular and without prejudice to the generality of the foregoing power, such rules may—

(*i*) prescribe the statements and other information to be submitted along with an application for approval;

(*ii*) prescribe the returns, statements, particulars or information which the Income-tax Officer may require from a person by and to whom premiums or contributions are payable under this section;

(*iii*) provide for the assessment by way of penalty of any consideration received by an individual for an assignment of, or creation of a charge upon, any annuity or other sum receivable by him under any contract or from any fund approved for the time being under this section; and

(*iv*) provide for securing such further control over the approval granted under this section and administration of funds approved under this section as it may deem requisite.

Definitions.

80D. In this Chapter—

(*i*) "relative" in relation to an individual means—

(*a*) the mother, father, husband or wife of the individual, or

(*b*) a son, daughter, brother, sister, nephew or niece of the individual, or

(c) a grandson or grand-daughter of the individual, or

(*d*) the spouse of any person referred to in sub-clause (*b*);

(*ii*) "income" in relation to a handicapped dependant means the aggregate income of such person from all sources;

(*iii*) the expressions "earned income" and "unearned income" shall have the meanings respectively assigned to them in the Finance Act of the relevant year.'.

Amendment of section 84.

21. In section 84 of the Income-tax Act, in sub-section (*6*), for the word, figures and letter "Chapter XI-D", the word and figures "Chapter XI" shall be substituted.

Insertion of new section 85A.

22. After section 85 of the Income-tax Act, the following section shall be inserted, namely :—

Deduction of tax on inter-corporate dividends.

"85A. Where the total income of an assessee being a company includes any income by way of dividends received by it from an Indian company or a company which has made the prescribed arrangements for the declaration and payment of dividends (including dividends on preference shares) within India, the assessee shall be entitled to a deduction from the income-tax with which it is chargeable on its total income for any assessment year of so much of the amount of income-tax calculated at the average rate of income-tax on the income so included (other than any such income on which no income-tax is payable under the provisions of this Act) as exceeds an amount of twenty-five per cent. thereof:

Provided that in the case of a company which has not made the prescribed arrangements for the declaration and payment of dividends within India and whose total income includes any income by way of dividends received by it from an Indian company which is not such a company as is referred to in section 108 and which is wholly or mainly engaged in the business of generation or distribution of electricity or of construction, manufacture or production of any one or more of the articles or things specified in the list in paragraph 2 of the Third Schedule to the Companies (Profits) Surtax Act, 1964, the amount of income-tax deductible under this section shall be so much of the amount of income-tax calculated at the average rate of income-tax on the income so included (other than any such income on which no income-tax is payable under the provisions of this Act) as exceeds an amount of fifteen per cent. thereof. 7 of 1964.

Explanation.—For the purposes of this section, a company shall be deemed to be mainly engaged in the business of generation or distribution of electricity or of construction, manufacture or production of any one or more of the articles or things specified in the list in paragraph 2 of the Third Schedule to the Companies (Profits) Surtax Act, 1964, if the income attributable to any of the aforesaid activities included in its total income for the previous year is not less than fifty-one per cent. of such total income.". 7 of 1964.

Amendment of section 86.

23. In section 86 of the Income-tax Act, clauses (*i*) and (*ii*) shall be omitted.

Insertion of new section 86A.

24. In Chapter VII of the Income-tax Act, after section 86, the following section shall be inserted, namely :—

Deduction from tax on certain securities.

"86A. Where there is included in the total income of an assessee—

(*i*) the interest due on any security of the Central Government issued or declared to be income-tax free, or

(*ii*) the interest due on any security of a State Government issued income-tax free, the income-tax whereon is payable by the State Government,

the assessee shall be entitled to a deduction from the amount of income-tax with which he is chargeable on his total income, of an amount equal to the income-tax calculated on the amount so included at the average rate of income-tax or at the rate of twenty-five per cent., whichever is less.".

Amendment of section 87.

25. In section 87 of the Income-tax Act,—

(*i*) in clause (*d*) of sub-section (*1*), for the words, figure and letter "to the extent provided in rule 7 of Part A of the Fourth Schedule", the words "in so far as the aggregate of such contributions does not exceed one-fifth of his salary in that previous year or eight thousand rupees, whichever is less" shall be substituted;

(*ii*) in sub-section (*4*), the words, figures and letter ", together with the amount of super-tax deductible under section 99A," shall be omitted;

(*iii*) after sub-section (*4*), the following sub-section shall be inserted, namely:—

'(*5*) This section shall not apply in respect of—

(*i*) the assessment year commencing on the 1st day of April, 1966 and any subsequent assessment year, in the case of an assessee whose total income includes any income chargeable under the head "Salaries" from which tax is deducted, or deductible, at source in accordance with the provisions of section 192; and

(*ii*) the assessment year commencing on the 1st day of April, 1965 and any subsequent assessment year in the case of any other assessee.'.

Amendment of section 88.

26. In section 88 of the Income-tax Act,—

(*i*) in sub-section (*1*), for the words "of an amount equal to the income-tax calculated at the average rate of income-tax on any sums paid by him in the previous year", the following shall be substituted, namely :—

"(*a*) where the assessee is a company, of an amount equal to the income-tax calculated at the average rate of income-tax or at the rate of twenty-five per cent., whichever is less, and

(*b*) in the case of any other assessee, of an amount equal to the income-tax calculated at the average rate of income-tax,

on any sums paid by the assessee in the previous year";

(*ii*) in sub-section (*3*), after the first proviso, the following proviso shall be inserted, namely :—

"Provided further that where any such sums paid during any previous year relevant to the assessment year

commencing on the 1st day of April, 1965 or any subsequent assessment year include any donation referred to in sub-section (*6*), and such sums exceed the limit of two hundred thousand rupees specified in the first proviso, then such limit shall be raised to cover that portion of the donation which is equal to the difference between such sums and the said limit, so however, that the limit so raised shall not exceed ten per cent. of the assessee's total income as reduced as aforesaid or five hundred thousand rupees, whichever is less :";

(*iii*) in sub-section (*4*), the words and figures "together with the amount of super-tax deductible under section 100" shall be omitted;

(*iv*) in sub-section (*6*),—

(*a*) for the words "any temple, mosque, gurdwara, church or any other place", the words "any such temple, mosque, gurdwara, church or other place" shall be, and shall be deemed always to have been, substituted;

(*b*) after the words "artistic importance", the words "or to be a place of public worship of renown throughout any State or States" shall be inserted.

Amendment of section 90.

27. In section 90 of the Income-tax Act, in clause (*a*), the brackets and words "(including super-tax)" shall be omitted.

Amendment of section 91.

28. In section 91 of the Income-tax Act, in clause (*i*) of the *Explanation*, the words "and super-tax" shall be omitted.

Amendment of Chapter XI.

29. In Chapter XI of the Income-tax Act,—

(*i*) for the heading "SUPER-TAX", the heading "ADDITIONAL INCOME-TAX ON UNDISTRIBUTED PROFITS" shall be substituted;

(*ii*) sub-headings "*A.—General*", "*B.—Incomes forming part of total income on which no super-tax is payable*", "*C.—Rebate of super-tax*" and "*D.—Additional super-tax on undistributed profits*" and sections 95 to 103 (both inclusive) shall be omitted.

Amendmant of section 104.

30. In section 104 of the Income-tax Act, in sub-section (*1*),—

(*i*) for the word "super-tax", the word "income-tax" shall be substituted;

(*ii*) in clause (*a*), the word "and" shall be omitted;

(*iii*) for the brackets, letter and words "(*b*) thirty-seven per cent. in the case of any other company", the following shall be substituted, namely:—

"(*b*) thirty-seven per cent. in the case of a trading company, and

(c) twenty-five per cent. in the case of any other company".

Amendment of section 109.

31. In section 109 of the Income-tax Act,—

(*i*) in sub-clause (*a*) of clause (*i*), the words "and super-tax" shall be omitted and for the words "any super-tax", the words "any income-tax" shall be substituted;

(*ii*) after clause (*ii*), the following clause shall be inserted, namely:—

'(*iia*) "trading company" means a company whose business consists wholly or mainly in dealing in goods or merchandise manufactured, produced or processed by a person other than that company and whose income attributable to such business included in its total income is not less than fifty-one per cent. of the amount of such total income;';

(*iii*) in clause (*iii*), to sub-clause (*4*) (*a*), the following proviso shall be added, namely:—

'Provided that in the case of such company, not being a trading company, sub-clause (*a*) shall have effect as if for the word "exceed", the words "exceed twice the amount of" were substituted.'.

Substitution of new section for section 110.

32. For section 110 of the Income-tax Act, the following section shall be substituted, namely:—

Determination of tax where total income includes income on which no tax is payable.

"110. Where there is included in the total income of an assessee any income on which no income-tax is payable under the provisions of this Act, the assessee shall be entitled to a deduction, from the amount of income-tax with which he is chargeable on his total income, of an amount equal to the income-tax calculated at the average rate of income-tax on the amount on which no income-tax is payable.".

Amendment of section 111.

33. In section 111 of the Income-tax Act, for the words "income-tax and super-tax", the word "tax" shall be substituted.

Amendment of section 112.

34. In section 112 of the Income-tax Act,—

(*i*) in clause (*i*), for the word "income-tax", the word "tax" shall be substituted;

(*ii*) clause (*ii*) shall be omitted;

(*iii*) in clause (*iii*), for the words "income-tax and super-tax", the word "tax" shall be substituted.

Omission of section 113.

35. Section 113 of the Income-tax Act shall be omitted.

Amendment of section 114.

36. In section 114 of the Income-tax Act,—

(*i*) the words "and super-tax", wherever they occur, shall be omitted;

(*ii*) in clause (*b*)—

(*a*) in sub-clause (*i*), the words "and the average rate of super-tax respectively" shall be omitted;

(*b*) in sub-clause (*ii*), after the second proviso, the following proviso shall be inserted, namely:—

"Provided further that the amount of income-tax so calculated in respect of the capital gains relating to bonus shares, if any, chargeable under sub-section (2) of section 45, shall be reduced by an amount equal to twelve and a half per cent. of the face value of such bonus shares or the amount of income-tax so calculated, whichever is less."; and

(*c*) the words "and three-fourths of the average rate of super-tax respectively", "and one-half of the average rate of super-tax respectively" and "and average rate of super-tax" shall be omitted.

Substitution of new section for section 115.

37. For section 115 of the Income-tax Act, the following section shall be substituted, namely:—

Tax on capital gains in case of companies.

'115. Where the total income of a company includes any income chargeable under the head "Capital gains" (whether such gains relate to short-term capital assets or to other capital assets), the income-tax payable by it shall be the aggregate of—

(*i*) the amount of income-tax calculated at the rate of twelve and a half per cent. on the amount of capital gains relating to bonus shares, if any, chargeable under sub-section (2) of section 45 as reduced by an amount equal to twelve and a half per cent. of the face value of such bonus shares; so however, that the reduction shall in no case exceed the amount of income-tax so calculated;

(*ii*) the amount of income-tax calculated on the amount of capital gains relating to capital assets other than

short-term capital assets included in the total income—

(*a*) at the rate of forty per cent. on so much of the amount of such capital gains as relate to buildings or lands or any rights in buildings or lands; and

(*b*) at the rate of thirty per cent. on the balance of such capital gains, if any [excluding capital gains, if any, referred to in clause (*i*)]; and

(*iii*) the amount of income-tax with which it would have been chargeable had its total income been reduced by the amount of capital gains referred to in clauses (*i*) and (*ii*).'.

Amendment of section 131.

38. In section 131 of the Income-tax Act, after the words "Appellate Assistant Commissioner", the words ", Inspecting Assistant Commissioner" shall be inserted.

Amendment of section 155.

39. In section 155 of the Income-tax Act,—

(*i*) after sub-section (*5*), the following sub-section shall be inserted, namely:—

"(*5A*) Where an allowance by way of development allowance has been made wholly or partly to an assessee in respect of the cost of planting in any area in any assessment year under section 33A and subsequently—

(*i*) at any time before the expiry of eight years from the end of the previous year in which such allowance was made, the land is sold or otherwise transferred by the assessee to any person other than the Government, a local authority, a corporation established by a Central, State or Provincial Act or a Government company as defined in section 617 of the Companies Act, 1956, or in connection with any amalgamation or succession referred to in sub-section (*5*) or sub-section (*6*) of section 33A; or

1 of 1956.

(*ii*) at any time before the expiry of the eight years referred to in sub-section (*3*) of section 33A, the assessee utilises the amount credited to the reserve account under clause (*ii*) of that sub-section—

(*a*) for distribution by way of dividends or profits; or

(*b*) for remittance outside India as profits or for the creation of any asset outside India; or

(c) for any other purpose which is not a purpose of the business of the undertaking,

the development allowance originally allowed shall be deemed to have been wrongly allowed, and the Income-tax Officer may, notwithstanding anything contained in this Act, recompute the total income of the assessee for the relevant previous year and make the necessary amendment; and the provisions of section 154 shall, so far as may be, apply thereto, the period of four years specified in sub-section (7) of that section being reckoned from the end of the previous year in which the sale or transfer took place or the money was so utilised.";

(*ii*) in sub-section (7), for the words "the super-tax", the words "the tax" shall be substituted.

Amendment of section 164.

40. In section 164 of the Income-tax Act, the words "or total world income" shall be omitted.

Amendment of section 178.

41. In section 178 of the Income-tax Act, for sub-sections (*3*) and (*4*), the following sub-sections shall be substituted, namely:—

"(*3*) The liquidator—

(*a*) shall not, without the leave of the Commissioner, part with any of the assets of the company or the properties in his hands until he has been notified by the Income-tax Officer under sub-section (*2*); and

(*b*) on being so notified, shall set aside an amount equal to the amount notified and, until he so sets aside such amount, shall not part with any of the assets of the company or the properties in his hands:

Provided that nothing contained in this sub-section shall debar the liquidator from parting with such assets or properties for the purpose of the payment of the tax payable by the company or for making any payment to secured creditors whose debts are entitled under law to priority of payment over debts due to Government on the date of liquidation or for meeting such costs and expenses of the winding up of the company as are in the opinion of the Commissioner reasonable.

(*4*) If the liquidator fails to give the notice in accordance with sub-section (*1*) or fails to set aside the amount as required by sub-section (*3*) or parts with any of the assets of the company or the properties in his hands in contravention of the provisions of that sub-section, he shall be personally liable for the payment of the tax which the company would be liable to pay:

Provided that if the amount of any tax payable by the company is notified under sub-section (*2*), the personal liability of the liquidator under this sub-section shall be to the extent of such amount".

Amendment of section 181.

42. In section 181 of the Income-tax Act, after the words "tax free", the following words shall be inserted, namely:—

"at such rate not exceeding twenty-five per cent. as may be notified by the Central Government in the Official Gazette from time to time".

Amendment of section 191.

43. In section 191 of the Income-tax Act, the brackets and figure "(*1*)" and sub-section (*2*) shall be omitted.

Amendment of section 192.

44. In section 192 of the Income-tax Act,—

(*i*) in sub-section (*1*), the words "and super-tax" and the words "and average rate of super-tax respectively" shall be omitted;

(*ii*) sub-section (*2*) shall be omitted;

(*iii*) in sub-section (*3*), the words, brackets and figure "or sub-section (*2*)" shall be omitted;

(*iv*) in sub-section (*5*), for the words "income-tax and super-tax", the word "tax" shall be substituted;

(*v*) the *Explanation* shall be omitted.

Amendment of section 193.

45. In section 193 of the Income-tax Act,—

(*a*) the words "and super-tax" shall be omitted;

(*b*) the following *Explanation* shall be inserted at the end, namely:—

'*Explanation.*—In this section, and in sections 194, 195 and 197, the expression "rates in force" means the rate or rates specified for the purpose of deduction by the Finance Act of the year in which such deduction is required to be made.'.

Amendment of section 194.

46. In section 194 of the Income-tax Act, the words "and super-tax" and the words "or the total world income" shall be omitted.

Amendment of section 195.

47. In section 195 of the Income-tax Act, in sub-section (*1*), the words "and super-tax", wherever they occur, shall be omitted.

Amendment of section 197

48. In section 197 of the Income-tax Act,—

(*i*) in sub-section (*1*),—

(*a*) the words "or super-tax", wherever they occur, and the words "or the total world income" shall be omitted;

(*b*) in clause (*b*), for the word "super-tax", the word "income-tax" shall be substituted;

(*ii*) in sub-section (*2*), the words "and super-tax" shall be omitted;

(*iii*) in sub-section (*3*),—

(*a*) for the words and figures "sections 84 and 101", the word and figures "section 84" shall be substituted;

(*b*) the words, brackets and figures "and sub-section (*2*) of section 101" shall be omitted;

(*c*) for the words and figures "sections 85 and 101", the word and figures "section 85" shall be substituted.

Amendment of section 199.

49. In section 199 of the Income-tax Act, for the words "income-tax or super-tax, as the case may be,", the word "tax" shall be substituted.

Amendment of section 203.

50. In section 203 of the Income-tax Act, for the words "income-tax or super-tax", wherever they occur, the word "tax" shall be substituted.

Amendment of section 206.

51. In section 206 of the Income-tax Act, in clause (*c*) of sub-section (*1*), the words "and super-tax" shall be omitted.

Amendment of section 209.

52. In section 209 of the Income-tax Act,—

(*i*) in clause (*a*),—

(*a*) in sub-clauses (*ii*) and (*iii*), the words "and super-tax", wherever they occur, shall be omitted;

(*b*) in sub-clause (*iv*), the words "and super-tax" and the brackets and letter "(*b*)" shall be omitted;

(*ii*) clause (*b*) shall be omitted;

(*iii*) in the *Explanation*, for the words, brackets and letters "clauses (*a*) and (*b*)", the word, brackets and letter "clause (*a*)" shall be substituted.

Amendment of sections 213 to 217, 220, 243 and 244.

53. In sections 213 to 217, 220, 243 and 244 of the Income-tax Act, for the words "four per cent.", the words "six per cent." shall be substituted.

Amendment of section 226.

54. In section 226 of the Income-tax Act, for sub-section (5), the following sub-section shall be substituted, namely:—

"(5) The Income-tax Officer may, if so authorised by the Commissioner by general or special order, recover any arrears of tax due from an assessee by distraint and sale of his movable property in the manner laid down in the Third Schedule.".

Amendment of section 235.

55. In section 235 of the Income-tax Act, for clause (*b*), the following clause shall be substituted, namely:—

"(*b*) where the shareholder—

(*i*) is not a company, the amount of income-tax payable by him under this Act but not exceeding income-tax calculated at the rate of twenty-five per cent., and

(*ii*) is a company, twenty-five per cent.,

on that portion of the dividend which is attributable to the profits of the company assessed to agricultural income-tax,".

Amendment of section 236

56. In section 236 of the Income-tax Act, in clause (*iii*) of *Explanation 2*, for the words and figures "sections 88 and 100", the word and figures "section 88" shall be substituted.

Amendment of section 236A.

57. In section 236A of the Income-tax Act, in sub-section (*2*), for the word "super-tax", the word "tax" shall be substituted.

Insertion of new section 276A.

58. After section 276 of the Income-tax Act, the following section shall be inserted, namely:—

Failure to comply with the provisions of sub-sections (*1*) and (*3*) of section 178.

"276A. If a person, without reasonable cause or excuse,—

(*i*) fails to give the notice in accordance with sub-section (*1*) of section 178; or

(*ii*) fails to set aside the amount as required by sub-section (*3*) of that section; or

(*iii*) parts with any of the assets of the company or the properties in his hands in contravention of the provisions of the aforesaid sub-section,

he shall be punishable with rigorous imprisonment for a term which may extend to two years:

Provided that in the absence of special and adequate reasons to the contrary to be recorded in the judgment of the court, such imprisonment shall not be for less than six months.".

Amendment of section 279.

59. In section 279 of the Income-tax Act, in sub-section (*1*), after the word and figures "section 276", the words, figures and letter "or section 276A" shall be inserted.

Amendment of section 280P.

60. In section 280P of the Income-tax Act, the words "and super-tax" shall be omitted.

Amendment of section 280X.

61. In section 280X of the Income-tax Act, in sub-section (*2*), the brackets and words "(but not super-tax)" shall be omitted.

Insertion of new Chapter XXIIB.

62. After section 280X of the Income-tax Act, the following Chapter and sections shall be inserted, namely:—

'CHAPTER XXIIB

TAX CREDIT CERTIFICATES

Definitions.

280Y. In this Chapter,—

(*a*) "eligible issue of capital" means an issue of ordinary shares specified as such in the scheme;

(*b*) "public company" means a public company as defined in section 3 of the Companies Act, 1956; 1 of 1956.

(*c*) "scheme" means a scheme made under this Chapter;

(*d*) "urban area" means any area which the Central Government may, having regard to the population, concentration of industries, need for proper planning of the area and other relevant factors, by general or special order, declare to be an urban area for the purposes of this Chapter.

Tax credit certificates to certain equity shareholders.

280Z. (*1*) An individual shall be granted a tax credit certificate if he by himself or some other person on his behalf has subscribed to, and made payments in respect of, any eligible issue of capital.

(*2*) A Hindu undivided family shall also be granted a tax credit certificate if any person has subscribed to, and made payments in respect of, any eligible issue of capital on behalf of that Hindu undivided family.

(*3*) A tax credit certificate granted under the provisions of this section shall be for the amount or the aggregate of the amounts computed as hereunder with reference to the capital so subscribed and paid:

(*i*) On the first Rs. 15,000 of the amount paid in the financial year	.. at the rate of 5 per cent.;
(*ii*) On the next Rs. 10,000 of the amount paid in the financial year	.. at the rate of 3 per cent.;
(*iii*) On the next Rs. 10,000 of the amount paid in the financial year	.. at the rate of 1 per cent.;
(*iv*) On the balance of the amount paid in the financial year	.. *Nil.*

Explanation.—For the purposes of this section—

(*i*) "subscribed" includes acquisition of the shares forming part of an eligible issue of capital from a person who is specified as an underwriter in pursuance of clause 11 of Part I of Schedule II to the Companies Act, 1956 (hereinafter in this section referred to as the underwriter);

1 of 1956.

(*ii*) a payment shall be treated as having been made to the extent to which and on the date on which the amount of the said payment has been credited to the share capital account of the Company.

(*4*) A tax credit certificate for the amount specified in sub-section (*3*) shall be granted to an individual or Hindu undivided family—

(*a*) where payment by way of subscription has been made to the company, in respect of the financial year in which payment has been made and each of the three financial years following that year; and

(*b*) where the acquisition has been made from the underwriter, in respect of the financial year in which the capital was so acquired and each one, if any, of the following financial years not falling beyond the third financial year from the end of the financial year in which the payment by way of subscription has been made to the company by the underwriter:

Provided that, in either case, the capital is held by or on behalf of the individual or on behalf of the Hindu undivided family, as the case may be, at the end of the relevant financial year:

Provided further that where any part of the capital in respect of which a tax credit certificate had been granted in a financial year (hereinafter referred to as the earlier financial year) is sold, transferred or otherwise disposed of in a subsequent financial year, the tax credit certificate to be granted with reference to the remaining capital in respect of the said subsequent financial year or any financial year following that year shall be for such amount as bears to the amount for which the tax credit certificate was granted in the earlier financial year the same proportion as the amount of the remaining capital as on the 31st day of March of the subsequent financial year bears to the total amount of the capital with reference to which the tax credit certificate was granted in the earlier financial year.

(5) If any individual by himself or on behalf of any other individual or on behalf of any Hindu undivided family has acquired any shares forming part of an eligible issue of capital from the underwriter, he shall not be entitled to a tax credit certificate under this section, unless his name is entered as a shareholder in respect of such shares in the register of shareholders of the company.

(6) The amount shown on a tax credit certificate granted to an individual or Hindu undivided family shall, on the certificate being produced before the Income-tax Officer, be adjusted against any existing liability of such individual or Hindu undivided family under the Indian Income-tax Act, 1922, or this Act, or any such liability arising within the period of twelve months from the date on which the certificate was produced before the Income-tax Officer, and where the amount of such certificate exceeds such liability, or where there is no such liability, the excess or the whole of such amount, as the case may be, shall, notwithstanding anything contained in Chapter XIX, be deemed, on the date of the expiry of the said period of twelve months, to be refund due to such individual or Hindu undivided family, as the case may be, under that Chapter and the provisions of this Act shall apply accordingly. 11 of 1922.

(7) The Central Government may specify in a scheme any issue of ordinary shares by a public company as eligible issue of capital.

(8) In specifying any issue of ordinary shares as eligible issue of capital, the Central Government shall have regard to the following factors, namely:—

(a) the total amount of the capital issued;

(b) the terms and conditions subject to which the capital is issued;

(c) the trade or business in which the company concerned is engaged;

(d) the purposes for which the issue is being made;

(e) any other relevant factor.

Tax credit certificates for shifting of industrial undertaking from urban area.

280ZA. (1) If any public company owning an industrial undertaking situate in an urban area shifts, with the prior approval of the Board, such undertaking to any area (not being the area in which such undertaking is situate), it shall be granted a tax credit certificate.

(2) The tax credit certificate to be granted under sub-section (1) shall be for an amount computed in the following manner with reference to the amount of the tax payable by the company on its income chargeable under the head "Capital gains" arising from the transfer of capital assets being buildings or lands or any rights in buildings or lands used for the purposes of the business of the said undertaking in the urban area, effected in the course of or in consequence of the shifting of such industrial undertaking, namely:—

(a) the amount of expenditure incurred by the company in—

(i) acquiring lands or constructing buildings for the purposes of the business of the company in the area to which the undertaking is shifted, and

(ii) shifting its machinery or plant and other effects and transferring its establishment to such area,

within a period of three years, from the date of the approval referred to in sub-section (1), or such further period as the Board may allow, shall first be ascertained;

(b) the amount of the tax credit certificate shall bear to the amount of tax payable by the company on its income chargeable under the head "Capital gains" as aforesaid, the same proportion as the amount of expenditure ascertained under clause (a) bears to the amount of the said income:

Provided that the amount of the tax credit certificate shall in no case exceed the amount of the tax aforesaid.

(3) The amount shown on a tax credit certificate granted to a public company under sub-section (1) shall, on the certificate being produced before the Income-tax Officer, be adjusted against any existing liability of the company under the Indian Income-tax Act, 1922, or this Act, or any such liability arising within the

11 of 1922.

period of twelve months from the date on which the certificate was produced before the Income-tax Officer, and where the amount of such certificate exceeds such liability, or where there is no such liability, the excess or the whole of such amount, as the case may be, shall, notwithstanding anything contained in Chapter XIX, be deemed, on the date of the expiry of the said period of twelve months, to be refund due to such company under that Chapter and the provisions of this Act shall apply accordingly.

(4) Where a capital asset, being building or land, or any right in building or land, acquired or, as the case may be, constructed in the area to which the undertaking of the company is shifted, is transferred by the company within a period of five years from the date of acquisition or, as the case may be, the date of completion of construction to any person other than the Government, a local authority, a corporation established by a Central, State or Provincial Act or a Government company as defined in section 617 of the Companies Act, 1956, an amount equal to one-half of the amount for which a tax credit certificate has been granted to the company under sub-section (1) shall be deemed to be tax due from the company on the thirtieth day following the date of transfer under a notice of demand issued under section 156, and all the provisions of this Act shall apply accordingly. 1 of 1956.

Explanation.—Any land or building used for the residence of persons employed in the business of the company or for the use of such persons as a hospital, creche, school, canteen, library, recreational centre, shelter, rest-room or lunch-room shall, for the purposes of this section, be deemed to be land or building used for the purposes of the business of the company.

Tax credit Certificate to certain manufacturing Companies in certain cases.

280ZB. (1) Where any company engaged in the manufacture or production of any of the articles mentioned in the First Schedule to the Industries (Development and Regulation) Act, 1951 is, in respect of its profits and gains attributable to such manufacture or production,— 65 of 1951.

(i) liable to pay any tax for the assessment year commencing on the 1st day of April, 1965 (hereinafter referred to as the base year) and for any one or more of the five assessment years next following that year; or

(*ii*) not liable to pay any tax for the base year but becomes so liable for any succeeding year (hereinafter referred to as the succeeding base year) and also for any one or more of the assessment years following that year, not being an assessment year commencing on the 1st day of April, 1971, or any subsequent assessment year

and the tax for any such succeeding year exceeds—

(*a*) in the case referred to in clause (*i*), the tax payable for the base year;

(*b*) in the case referred to in clause (*ii*), the tax payable for the succeeding base year,

then the company shall be granted a tax credit certificate for an amount equal to twenty per cent. of such excess:

Provided that the amount of the tax credit certificate shall not for any assessment year exceed ten per cent. of such tax payable by the company for that year.

(*2*) The amount shown on a tax credit certificate granted to any company under the provisions of sub-section (*1*) shall, on the certificate being produced before the Income-tax Officer, be adjusted against any existing liability of such company under the Indian Income-tax Act, 1922, or this Act, or any such liability arising within a period of twelve months from the date on which the certificate was produced before the Income-tax Officer and where the amount of such certificate exceeds such liability, or where there is no such liability, the excess or the whole of such amount, as the case may be, shall, notwithstanding anything contained in Chapter XIX, be deemed, on the date of the expiry of the said period of twelve months, to be refund due to such company under that Chapter and the provisions of this Act shall apply accordingly:

of 1922.

Provided that the adjustment or refund, as the case may be, under this sub-section shall be only for such amount, not exceeding the amount of the certificate, as is used within such period as may be specified in the scheme—

(*i*) for repayment of loans taken by the company from any of the financial institutions notified in this behalf by the Central Government, or

(*ii*) for redemption of its debentures, or

(*iii*) for the acquisition of any capital asset in India, including the construction of any building, for the purposes of the business of the company.

Explanation 1.—In this section, "tax" means income-tax payable under this Act and surtax, if any, payable under the Companies (Profits) Surtax Act, 1964. 7 of 1964.

Explanation 2.—The amount of income-tax in respect of the profits or gains attributable to the manufacture or production of the articles referred to in sub-section (*1*) shall be an amount bearing to the total amount of income-tax payable on the total income (such income-tax being computed in the manner specified hereunder) the same proportion as the amount of such profits or gains bears to the total income. The amount of income-tax payable by the company for any assessment year shall be computed after making allowance for any relief, rebate or deduction in respect of income-tax to which the company is entitled under the provisions of this Act or the annual Finance Act and after deducting from such amount of income-tax the amount of additional income-tax, if any, payable by the company under the provisions of section 104 and also the amount, if any, by which the rebate of income-tax admissible to the company under the provisions of the annual Finance Act is, under the provisions of the said Act, reduced with reference to the face value of any bonus shares or the amount of any bonus issued by the company to its shareholders during the previous year or any previous year prior to that year or with reference to any amount of dividends declared or distributed by it during the previous year or any previous year prior to that year.

Explanation 3.—The amount of surtax in respect of the chargeable profits attributable to the manufacture or production of the articles referred to in sub-section (*1*) shall be an amount bearing to the total amount of surtax payable under the Companies (Profits) Surtax Act, 1964 the same proportion as the amount of such chargeable profits bears to the whole of the chargeable profits. 7 of 1964.

Tax credit certificate in relation to exports.

280ZC. (*1*) Subject to the provisions of this section, a person who exports any goods or merchandise out of India after the 28th day of February, 1965, and receives the sale proceeds thereof in India in accordance with the Foreign Exchange Regulation Act, 1947, and the rules made thereunder, shall be granted a tax credit certificate for an amount calculated at a rate not exceeding fifteen per cent. on the amount of such sale proceeds. 7 of 1947.

(2) The goods or merchandise in respect of which a tax credit certificate shall be granted under sub-section (1) (including the destination of their export) and the rate at which the amount of such certificate shall be calculated shall be such as may be specified in the scheme:

Provided that different rates may be specified in respect of different goods or merchandise.

(3) In specifying the goods or merchandise (including the destination of their export) and the rates, the Central Government shall have regard to the following factors, namely:—

(a) the cost of manufacture or production of such goods or merchandise and prices of similar goods in the foreign markets;

(b) the need to develop foreign markets for such goods or merchandise;

(c) the need to earn foreign exchange;

(d) any other relevant factor.

(4) The amount shown on a tax credit certificate granted to any person under this section shall, on the certificate being produced before the Income-tax Officer, be adjusted against any existing liability of that person under the Indian Income-tax Act, 1922, or this Act, or any such liability arising within the period of twelve months from the date on which the certificate was produced before the Income-tax Officer and where the amount of such certificate exceeds such liability, or where there is no such liability, the excess or the whole of such amount, as the case may be, shall, notwithstanding anything contained in Chapter XIX, be deemed, on the date of the expiry of the said period, to be refund due to such person under that Chapter and the provisions of this Act shall apply accordingly.

11 of 1922.

Tax credit certificates in relation to increased production of certain goods.

280ZD. (1) Subject to the provisions of this section, a person, who during any financial year commencing on the 1st day of April, 1965 or any subsequent financial year (not being a year commencing on the 1st day of April, 1970 or any financial year

thereafter manufactures or produces any goods, shall be granted a tax credit certificate for an amount calculated at a rate not exceeding twenty-five per cent. of the amount of the duty of excise payable by him on that quantum of the goods cleared by him during the relevant financial year which exceeds the quantum of the goods cleared by him during the base year, whether the clearance in either case is for home consumption or export.

(2) The goods in respect of which a tax credit certificate shall be granted under sub-section (1) and the rate at which the amount of such certificate shall be calculated shall be such as may be specified in the scheme :

Provided that different rates may be specified in respect of different goods.

(3) In specifying the goods and the rates under sub-section (1), the Central Government shall have regard to the following factors, namely:—

(a) the need for stimulating industrial output;

(b) the need for financial assistance to industrial undertakings engaged in the manufacture or production of such goods;

(c) any other relevant factor.

(4) Where any undertaking begins, after the 1st day of April in the base year, to manufacture or produce any goods in respect of which a tax credit certificate may be granted under sub-section (1), the quantum of goods cleared in that year shall, for the purposes of that sub-section, be determined in such manner as may be provided in the scheme.

(5) The amount shown on a tax credit certificate granted to any person under the provisions of sub-section (1) shall, on the certificate being produced before the Income-tax Officer, be adjusted against any existing liability of such person under the Indian Income-tax Act, 1922, or this Act, or any such liability

11 of 1922.

arising within a period of twelve months from the date on which the certificate was produce before the Income-tax Officer and where the amount of such certificate exceeds such liability, or where there is no such liability, the excess or the whole of such amount, as the case may be, shall, notwithstanding anything contained in Chapter XIX, be deemed, on the date of the expiry of the said period of twelve months, to be refund due to such person under that Chapter and the provisions of this Act shall apply accordingly:

Provided that the adjustment or refund, as the case may be, under this sub-section shall be only for such amount, not exceeding the amount of the certificate, as is used within such period as may be specified in the scheme—

(*i*) for repayment of loans taken by the person from any of the financial institutions notified in this behalf by the Central Government, or

(*ii*) for the acquisition of any capital asset in India, including the construction of any building, for the purposes of his business, or

(*iii*) where the person is a company, also for redemption of its debentures.

(*6*) In this section—

(*a*) "base year", in relation to an existing undertaking which manufactures or produces the goods referred to in sub-section (*1*), means the financial year commencing on the 1st day of April, 1964 and in relation to any other undertaking, the financial year in which such undertaking begins to manufacture or produce such goods;

(*b*) "duty of excise" means the duty of excise leviable under the Central Excises and Salt Act, 1944.

1 of 1944.

Tax credit certificate scheme.

260ZE. (*1*) The Central Government shall, by notification in the Official Gazette, frame one or more scheme or schemes to be called tax credit certificate scheme or schemes in relation to tax credit certificates to be granted under this Chapter.

(*2*) A scheme framed under sub-section (*1*) may provide for—

(*a*) the form and manner in which, and the authority to which, applications for the grant of tax credit certificates shall be made;

(*b*) the form in which, and the intervals at which, and the authority by which, such certificates shall be issued;

(*c*) the verification of any information or particulars furnished, or contained in any application made, by or on behalf of any person entitled to tax credit certificates;

(*d*) the determination of the rights and obligations of a person to whom such certificate has been granted and the

circumstances in which any right in or title to the said certificate may be transferred to or devolve on any other person by succession or otherwise;

(*e*) the determination of the rights and obligations of persons who jointly subscribe to an eligible issue of capital;

(*f*) the determination of the rights and obligations of persons who subscribe to an eligible issue of capital, on behalf, or for the benefit, of any other person;

(*g*) the appointment of any officer of Government or of the Reserve Bank of India to exercise any rights or perform any duties in connection with the grant of the said certificates;

(*h*) the goods or merchandise and the rate or rates for the purposes of section 280ZC and section 280ZD and the destination of the export of such goods or merchandise for the purposes of section 280ZC;

(*i*) any other matter which may be necessary or proper for the effective implementation of the provisions of this Chapter or the scheme.

(*3*) The Central Government may, by notification in the Official Gazette, add to, amend, vary or rescind any scheme made under this section.

(*4*) Any scheme made under this section shall be laid, as soon as may be, after it is made, before each House of Parliament while it is in session for a total period of thirty days which may be comprised in one session or in two successive sessions, and if, before the expiry of the session in which it is so laid or the session immediately following, both Houses agree in making any modification in any provision of the scheme or both Houses agree that any provision in the scheme should not be made, that provision of the scheme shall thereafter have effect only in such modified form or be of no effect, as the case may be; so however that any such modification or annulment shall be without prejudice to the validity of anything previously done under that provision.'.

Amendment of section 294.

63. In section 294 of the Income-tax Act, the words "or super-tax" shall be omitted.

Amendment of section 295.

64. In section 295 of the Income-tax Act, in clause (*e*) of sub-section (*2*), after the words, brackets and figures "clause (*i*) of sub-section (*3*) of section 87", the words, brackets, figures and letter "or clause (*i*) of sub-section (*4*) of section 80A, as the case may be" shall be inserted.

Amendment of First Schedule.

65. In the First Schedule to the Income-tax Act, in rule 3, in clause (*c*), for the words "but no income-tax shall be payable on the annual average of the amount of such interest", the words "but

the assessee shall be entitled to a deduction from the amount of income-tax with which he is chargeable on his total income, of an amount calculated at the rate of twenty-five per cent. on the annual average of the amount of such interest" shall be substituted.

Amendment of Fourth Schedule.

66. In the Fourth Schedule to the Income-tax Act,—

(*a*) in Part A,—

(*i*) in rule 6, the words "and super-tax" shall be omitted;

(*ii*) for rule 7, the following rule shall be substituted, namely:—

Exemption for employee's contributions.

"7. An employee participating in a recognised provident fund shall, in respect of his own contributions to his individual account in the fund in the previous year, be entitled to a deduction in the computation of his total income of an amount determined in accordance with section 80A or, as the case may be, to a deduction from the amount of income-tax with which he is chargeable on his total income of an amount of income-tax determined in accordance with section 87.";

(*iii*) in sub-rule (*1*) of rule 9, for the words "income-tax and super-tax", wherever they occur, the word "tax" shall be substituted;

(*iv*) in sub-rule (*3*) of rule 11, the words "and super-tax" shall be omitted;

(*v*) in clause (*d*) of sub-rule (*1*) of rule 15, for the words "income-tax and super-tax", the word "tax" shall be substituted;

(*b*) in Part B,—

(*i*) in rule 5, the words "and super-tax" shall be omitted;

(*ii*) in rule 6,—

(*a*) for the words "income-tax and super-tax", wherever they occur, the word "tax" shall be substituted;

(*b*) after the words "paid to an employee during his lifetime,", the words, brackets and figures "in circumstances other than those referred to in clause (*13*) of section 10" shall be inserted;

(*iii*) in clause (*e*) of sub-rule (*1*) of rule 11, for the words "income-tax and super-tax", the word "tax" shall be substituted;

(*c*) in Part C, in rule 7, the words "and super-tax" shall be omitted.

Insertion of new Schedule.

67. After the Fourth Schedule to the Income-tax Act, the following Schedule shall be inserted, namely :—

'THE FIFTH SCHEDULE

[*See* section 33(*1*) (*iii*) (c)]

List of articles and things

(*1*) Iron and steel (metal), ferro-alloys and special steels.

(*2*) Aluminium, copper, lead and zinc (metals).

(*3*) Iron ore, bauxite, manganese ore, dolomite, limestone, magnesite and mineral oil.

(*4*) Industrial machinery specified under the heading "8. Industrial machinery", sub-heading "A. Major items of specialised equipment used in specific industries", of the First Schedule to the Industries (Development and Regulation) Act, 1951. 65 of 1951.

(*5*) Boilers and steam generating plants, steam engines and turbines and internal combustion engines.

(*6*) Flame and drip proof motors.

(*7*) Equipment for the generation and transmission of electricity including transformers, cables and transmission towers.

(*8*) Machine tools and precision tools (including their attachments and accessories, cutting tools and small tools), dies and jigs.

(*9*) Tractors, earth-moving machinery and agricultural implements.

(*10*) Motor trucks and buses.

(*11*) Steel castings and forgings and malleable iron and steel castings.

(*12*) Cement and refractories.

(*13*) Fertilisers, namely, ammonium sulphate, ammonium sulphate nitrate (double salt), ammonium nitrate, calcium ammonium nitrate (nitrolime stone), ammonium chloride, super phosphate, urea and complex fertilisers of synthetic origin containing both nitrogen and phosphorus, such as ammonium phosphates, ammonium sulphate phosphate and ammonium nitro phosphate.

(*14*) Soda ash.

(*15*) Pesticides.

(*16*) Paper and pulp.

(*17*) Electronic equipment, namely, radar equipment, computers, electronic accounting and business machines, electronic communication equipment, electronic control instruments and basic components, such as valves, transistors, resistors, condensors, coils, magnetic materials and micro wave components.

(*18*) Petrochemicals including corresponding products manufactured from other basic raw materials like calcium carbide, ethyl alcohol or hydrocarbons from other sources.

(*19*) Ships.

(*20*) Automobile ancillaries.

(*21*) Seamless tubes.

(*22*) Gears.

(*23*) Ball, roller and tapered bearings.

(24) Component parts of the articles mentioned in items Nos. (4), (5), (7) and (9), that is to say, such parts as are essential for the working of the machinery referred to in the items aforesaid and have been given for that purpose some special shape or quality which would not be essential for their use for any other purpose and are in complete finished form and ready for fitment.

(25) Cotton seed oil.'.

Voluntary disclosure of income.

68. (*1*) Where any person makes a declaration in accordance with sub-section (2) in respect of the amount representing income—

(*a*) which he has failed to disclose in a return of income for any assessment year filed by him before the 1st day of March, 1965 under the Indian Income-tax Act, 1922 or the Income-tax Act, 1961, or

11 of 1922.
43 of 1961.

(*b*) which has escaped assessment for any assessment year for which an assessment has been made before the 1st day of March, 1965 under either of the said Acts, or

(c) for the assessment of which no proceeding under either of the said Acts has been taken before the 1st day of March, 1965,

he shall, notwithstanding anything contained in the said Acts, be charged income-tax at the rate specified in sub-section (*3*) in respect of the amount so declared if he,—

(*i*) pays the amount of income-tax as computed at the said rate, or

(*ii*) furnishes adequate security for the payment thereof in accordance with sub-section (*4*) and undertakes to pay such income-tax within a period, not exceeding six months, from the date of the declaration as may be specified by him therein, or

(*iii*) on or before the 31st day of May, 1965, pays such amount as is not less than one-half of the amount of income-tax as computed at the said rate or furnishes adequate security for the payment thereof in accordance with sub-section (*4*), and in either case assigns any shares in, or debentures of, a joint stock company or mortgages any immovable property, in favour of the President of India by way of security for the payment of the balance, and undertakes to pay such balance within the period referred to in clause (*ii*).

(*2*) The declaration shall be made to the Commissioner, and shall specify the period required to be specified under clause (*ii*) of sub-section (*1*), contain the name, address and signature of the person

making the declaration and also full information in respect of the following matters, namely:—

(*a*) Whether he was assessed to income-tax or not and, if assessed, the name of the Income-tax Circle in which he was assessed.

(*b*) The amount of income declared, giving where available, details of the financial year or years in which the income was earned and the amount pertaining to each such year.

(*c*) Whether the amount declared is represented by cash (including bank deposits), bullion, investments in shares, debts due from other persons, commodities, or any other assets, and the name in which it is held and location thereof:

Provided that the declaration shall be of no effect unless it is made after the 28th day of February, 1965 and before the 1st day of June, 1965.

(*3*) The rate of income-tax chargeable in respect of the amount referred to in sub-section (*1*) shall be sixty per cent. of such amount:

Provided that if before the 1st day of April, 1965, the tax on the amount declared is paid by the declarant at the rate of fifty-seven per cent. of such amount, he shall not be liable to pay any further tax on such amount.

(*4*) A person shall not be considered to have furnished adequate security for the payment of the tax for the purposes of sub-section (*1*) unless the payment is guaranteed by a scheduled bank or the person makes an assignment, in favour of the President of India, of any security of the Central or State Government.

Explanation.—For the purposes of this sub-section, where an assignment of Government securities is made in favour of the President, the amount covered by such assignment shall be the market value of the securities on the date of the assignment.

(5) Any amount of income-tax paid in pursuance of a declaration made under this section shall not be refundable in any circumstances, and no person who has made the declaration shall be entitled, in respect of any amount so declared or any amount of tax so paid, to reopen any assessment or reassessment made under the Indian Income-tax Act, 1922, or the Income-tax Act, 1961, or the Excess Profits Tax Act, 1940, or the Business Profits Tax Act, 1947, or the Super Profits Tax Act, 1963, or the Companies (Profits) Surtax Act, 1964, or claim any set off or relief in any appeal, reference, revision or other proceeding in relation to any such assessment or reassessment.

11 of 1922.
43 of 1961.
15 of 1940.
21 of 1947.
14 of 1963.
7 of 1964.

(*6*) (*a*) Any amount declared by any person under this section in respect of which the tax referred to in sub-section (*3*) is paid shall not be included in his total income for any assessment under any of the Acts mentioned in sub-section (*5*) if he credits in the books of account, if any, maintained by him for any source of income or in any other record, the amount declared as reduced by the tax paid thereon under this section.

(*b*) A credit made under clause (*a*) shall be intimated to the Income-tax Officer.

(*7*) (*a*) The Commissioner shall grant a certificate to every person who has made a declaration under this section and paid the income-tax under this section.

(*b*) The certificate shall set forth the particulars of the amount stated in the declaration, the amount of income-tax paid in respect of the same and the date of payment.

(*8*) (*a*) All particulars contained in any declaration made under this section or record of any proceeding under this section shall be treated as confidential and, notwithstanding anything contained in any law for the time being in force, no court shall be entitled to require any public servant to produce before it any such declaration or record or any part thereof or to give evidence before it in respect thereof.

(*b*) No public servant shall disclose any particulars contained in any such declaration or record except to any officer employed in the execution of any of the Acts mentioned in sub-section (*5*) or to any officer appointed by the Comptroller and Auditor-General of India or the Board to audit income-tax receipts or refunds.

(*9*) Any payment of income-tax under this section shall be made by depositing the amount to the credit of the Central Government at a Government treasury or sub-treasury, or at any branch of the Reserve Bank of India, or at any branch of the State Bank of India or at any of its agencies conducting Government treasury business.

(*10*) In this section,—

(*i*) "Board" means the Central Board of Direct Taxes constituted under the Central Boards of Revenue Act, 1963; 54 of 1963.

(*ii*) "Commissioner" means the Commissioner of Income-tax appointed under the Income-tax Act, 1961 having for the time being jurisdiction for the purposes of that Act over the person who makes a declaration under this section. 43 of 1961.

69. In the Estate Duty Act, 1953,— Amendment of Act 34 of 1953.

(*i*) in section 9, in sub-section (*1*), for the words "two years", the words "one year" shall be substituted;

(*ii*) in section 10,—

(*a*) in the proviso, for the words "two years", the words "one year" shall be substituted;

(*b*) after the proviso, the following proviso shall be inserted, namely :—

"Provided further that a house or part thereof taken under any gift made to the spouse, son, daughter,

brother or sister, shall not be deemed to pass on the donor's death by reason only of the residence therein of the donor except where a right of residence therein is reserved or secured directly or indirectly to the donor under the relevant disposition or under any collateral disposition.";

(*iii*) in sub-section (*2*) of section 11,—

(*a*) for the words "two years", wherever they occur, the words "one year" shall be substituted;

(*b*) after the first proviso, the following proviso shall be inserted, namely:—

"Provided further that where the disposition or determination of an interest limited to cease on the death in a house or part thereof was effected or suffered in favour of the spouse, son, daughter, brother or sister, then, the disposition or determination shall, notwithstanding the residence therein of the person who immediately before the disposition or determination had the interest, be deemed to be excepted by this sub-section save where a right of residence therein is reserved or secured directly or indirectly to such person under the relevant disposition or under any collateral disposition.";

(*iv*) in sub-section (*1*) of section 12,—

(*a*) in the proviso, for the words "two years", the words "one year" shall be substituted;

(*b*) after the proviso and before the *Explanation,* the following proviso shall be inserted, namely:—

"Provided further that a house or part thereof comprised in such settlement made in favour of the spouse, son, daughter, brother or sister, shall not be deemed to pass on the settlor's death by reason only of the residence therein of the settlor except where a right of residence is reserved or secured directly or indirectly to the settlor under the settlement or under any collateral disposition.";

(*v*) in section 22,—

(*a*) for the words "two years", the words "one year" shall be substituted;

(*b*) for the proviso, the following proviso shall be substituted, namely:—

"Provided that a house or part thereof held by the deceased as trustee for another person under a disposi-

tion made by him in favour of the spouse, son, daughter, brother or sister, shall not be deemed to be included in the property passing on the death of the deceased by reason only of the residence therein of the deceased except where a right of residence therein is reserved or secured directly or indirectly to the deceased under the relevant disposition or under any collateral disposition.";

(*vi*) after section 29, the following section shall be inserted, namely:—

"29A. Estate duty shall not be payable in respect of— Exemption of pensions, etc., in certain cases.

(*a*) any pension accruing or arising on the death of the deceased to his widow or other dependants under the revised Pension Rules of the Central Government or under any similar scheme of a State Government, a local authority or a corporation established by a Central, State or Provincial Act, or under the New Pension Code applicable to the members of the Defence Services; or

(*b*) any annuity or pension payable to such widow or dependants from—

(*i*) a superannuation fund approved under the Indian Income-tax Act, 1922, or the Income-tax Act, 1961, to the extent to which the amount of such annuity or pension does not exceed the equivalent of fifteen thousand rupees per annum, or

11 of 1922
43 of 1961.

(*ii*) a superannuation or pension fund established by such international organisations as the Central Government may, by notification in the Official Gazette, specify in this behalf.";

(*vii*) in section 33, in sub-section (*1*),—

(*a*) in clause (*b*), for the words "two years", the words "one year" shall be substituted;

(*b*) after clause (*n*), the following clause shall be inserted, namely:—

"(*o*) property taken under any gift made by the deceased to the spouse, son, daughter, brother or sister, beyond a period of five years before his death:

Provided that the property is either chargeable to gift-tax under the Gift-tax Act, 1958, or is not chargeable under section 5 of that Act, for any assessment year commencing after the 31st day of March, 1964.";

18 of 1958.

(*viii*) in section 34, in clause (*a*) of sub-section (*1*), for the word, brackets and letter "and (*n*)", the brackets, letters and word ", (*n*) and (o)" shall be substituted;

(*ix*) in section 46, in sub-section (*2*), for the words "two years", the words "one year" shall be substituted.

Amendment of Act 27 of 1957.

70. In the Wealth-tax Act, 1957,—

(*i*) in sub-section (*1*) of section 5, after clause (*xix*), the following clause shall be inserted, namely:—

"(*xx*) the value of any equity shares held by the assessee in any company of the type referred to in clause (*d*) of section 45, where such shares form part of the initial issue of equity share capital made by the company after the 31st day of March, 1964, for a period of five successive assessment years commencing with the assessment year next following the date on which such company commences the operations for which it has been established;";

(*ii*) for Part I of the Schedule, the following Part shall be substituted, namely:—

'PART I

Paragraph A

(*a*) In the case of every individual:—

	Rate of tax
(*i*) on the first rupees one lakh of net wealth	*Nil*
(*ii*) on the next rupees four lakhs of net wealth	0·5%
(*iii*) on the next rupees five lakhs of net wealth	1·0%
(*iv*) on the next rupees ten lakhs of net wealth	2·0%
(*v*) on the balance of net wealth	2·5%

(*b*) In the case of every Hindu undivided family:—

(*i*) on the first rupees two lakhs of net wealth	*Nil*
(*ii*) on the next rupees three lakhs of net wealth	0·5%
(*iii*) on the next rupees five lakhs of net wealth	1·0%
(*iv*) on the next rupees ten lakhs of net wealth	2·0%
(*v*) on the balance of net wealth	2·5%

(*c*) In addition, in the case of every individual and Hindu undivided family, where the net wealth of the individual or Hindu undivided family includes the value of any asset, being building or land (other than business premises), or any right in such building or land, situated in any area falling in Category A or Category B or Category C or Category D specified in rule 2 of Paragraph B, tax at the following rate or rates computed with reference to the value of

such assets determined in accordance with rule 1 of the said Paragraph B:—

(*i*) where the total value of such assets as determined under Paragraph B does not exceed rupees two lakhs	*Nil.*
(*ii*) where the total value of such assets as determined under Paragraph B exceeds rupees two lakhs but does not exceed rupees seven lakhs . . .	1% of the amount by which the total value of such assets as so determined exceeds rupees two lakhs.
(*iii*) where the total value of such assets as determined under Paragraph B exceeds rupees seven lakhs but does not exceed rupees twelve lakhs . . .	Rs. 5,000 *plus* 2% of the amount by which the total value of such assets as so determined exceeds rupees seven lakhs.
(*iv*) where the total value of such assets as determined under Paragraph B exceeds rupees twelve lakhs but does not exceed rupees seventeen lakhs . . .	Rs. 15,000 *plus* 3% of the amount by which the total value of such assets as so determined exceeds rupees seven lakhs.
(*v*) where the total value of such assets as determined under Paragraph B exceeds rupees seventeen lakhs	Rs. 30,000 *plus* 4% of the amount by which the total value of such assets as so determined exceeds rupees seventeen lakhs.

Explanation.—For the purposes of this Part "business premises" means any building or land or part of such building or land, or any right in building or land or part thereof, owned by the assessee and used throughout the previous year for the purposes of his business or profession, and includes any building used for the purpose of residence of persons employed in the business or any building used for the welfare of such persons as a hospital, creche, school, canteen, library, recreational centre, shelter, rest-room or lunch-room.

Paragraph B

Rule 1.—The total value of assets for the purposes of clause (c) of Paragraph A shall be determined as being the aggregate amount by which the value of such assets, included in the net wealth of the individual or Hindu undivided family, which are situated in any

area falling in the category specified in column 1 hereunder exceeds the amount specified thereagainst in column 2:—

Category of area	Amount
(1)	(2)
A	Rs. 5,00,000
B	The amount by which the value of such assets situated in any area falling in Category A falls short of Rs. 5,00,000, or an amount of Rs. 4,00,000, whichever is less.
C	The amount by which the aggregate of the value of such assets situated in any area falling in Category A or Category B falls short of Rs. 5,00,000, or in a case where there is no such asset situated in an area falling in Category A, the amount by which the value of such assets situated in any area falling in Category B falls short of Rs. 4,00,000, or, in either case, an amount of Rs. 3,00,000, whichever is less.
D	The amount by which the aggregate of the value of such assets situated in any area falling in Category A or Category B or Category C falls short of Rs. 5,00,000, or, in a case where there is no such asset situated in an area falling in Category A, the amount by which the aggregate of the value of such assets situated in any area falling in Category B or Category C falls short of Rs. 4,00,000, or, in a case where there is no such asset situated in an area falling in Category A or Category B, the amount by which the value of such assets situated in any area falling in Category C falls short of Rs. 3,00,000, or, in each case, an amount of Rs. 2,00,000, whichever is less.

Rule 2.—For the purposes of this Part, all cities and towns in India, the population of which, including the population of the contiguous municipalities and cantonments according to the census held in the year 1961—

(*i*) exceeds sixteen lakhs shall be treated as falling in Category A;

(*ii*) exceeds eight lakhs but does not exceed sixteen lakhs shall be treated as falling in Category B;

(*iii*) exceeds four lakhs but does not exceed eight lakhs shall be treated as falling in Category C; and

(*iv*) exceeds one lakh but does not exceed four lakhs shall be treated as falling in Category D.'.

71. In the Gift-tax Act, 1958,— Amendment of Act 18 of 1958.

(*i*) in section 5, in sub-section (1), after clause (*v*), the following clause shall be inserted, namely:—

"(*va*) (*i*) to such temple, mosque, gurdwara, church or other place as has been notified by the Central Government for the purposes of sub-section (6) of section 88 of the Income-tax Act, 1961; or 43 of 1961.

(*ii*) by way of settlement on trust, of property the income from which, according to the deed of settlement, is to be used exclusively in connection with the temple, mosque, gurdwara, church or other place specified therein and notified as aforesaid;";

(*ii*) in Chapter IV, after section 18, the following section shall be inserted, namely:—

"18A. Where any stamp duty has been paid under any law relating to stamp duty in force in any State on an instrument of gift of property in respect of which the gift-tax payable exceeds one thousand rupees, the assessee shall be entitled to a deduction from the gift-tax payable by him of an amount equal to the stamp duty so paid or one-half of the sum by which the gift-tax payable, before making the deduction under this section, exceeds one thousand rupees, whichever is less.". Credit for stamp duty paid on instrument of gift.

72. In the Preference Shares (Regulation of Dividends) Act, 1960,— Amendment of Act 63 of 1960.

(*i*) in section 2,—

(*a*) in clause (*b*), for the words, brackets, figures and letters "clause (7*A*) of section 2 of the Indian Income-tax Act, 1922 and includes a company referred to in sub-clause (*ii*) of clause (5*A*)", the following shall be substituted, namely:— 11 of 1922.

"clause (26) of section 2 of the Income-tax Act, 1961 and includes a company referred to in sub-clause (*ii*) of clause (17)"; 43 of 1961.

(*b*) in clause (*c*), the words, figures and letters "having been issued and subscribed for before the 1st day of April, 1960" shall be omitted;

(*c*) in clause (*d*), for the words and figures "Indian Income-tax Act, 1922", the words and figures "Income-tax Act, 1961" shall be substituted; 11 of 1922. 43 of 1961.

(*ii*) in section 3,—

(*a*) in sub-section (*1*) and in sub-section (*3*), after the words "preference share of a company", the words, figures and letters "issued and subscribed for before the 1st April, 1960" shall be inserted;

(*b*) in sub-section (*2*), after the words, figures and letters "after the 31st March, 1959", the words, figures and letters "and before the 1st April, 1960" shall be inserted;

(*c*) in sub-section (*4*), after the words "preference share", the words, figures and letters "issued and subscribed for before the 1st April, 1960" shall be inserted;

(*d*) in sub-section (*6*),—

(*i*) after the words "in this section", the words, figure and letter "and section 4A" shall be inserted;

(*ii*) for the words, brackets, figures and letter "sub-section (*3D*) of section 18 of the Indian Income-tax Act, 1922", the words and figures "section 194 of the Income-tax Act, 1961" shall be substituted; 11 of 1922. 43 of 1961.

(*iii*) in section 4,—

(*a*) for the words "Where any preference share has been issued by a company any portion of the profits and gains of which", the following shall be substituted, namely:—

"Where any preference share of a company has been issued and subscribed for before the 1st April, 1960, and any portion of the profits and gains of the company";

(*b*) for the words and figures "Indian Income-tax Act, 1922", the words and figures "Income-tax Act, 1961" shall be substituted; 11 of 1922. 43 of 1961.

(*iv*) after section 4, the following section shall be inserted, namely:—

Deduction of income-tax.

"4A. Where the stipulated dividend in respect of a preference share of a company—

(*a*) is specified to be subject to income-tax and a deduction is made therefrom on account of the income-tax payable by the company, or

(*b*) is being paid subject to a deduction therefrom on account of the income-tax payable by the company, not-

withstanding the absence of any specification that the dividend would be subject to income-tax,

such deduction shall in no case exceed twenty-five per cent. of the stipulated dividend.";

(*v*) in section 6, for the words "this Act", the words and figures "section 3 or section 4" shall be substituted.

Amendment of Act 52 of 1963.

73. In section 32 of the Unit Trust of India Act, 1963,—

(*i*) in sub-section (*1*), for clause (*b*), the following clause shall be substituted, namely:—

'(*b*) where in the case of a unit holder, being an individual, the total income for any previous year as computed under the Income-tax Act, 1961 before including therein the amount of qualifying dividend—

43 of 1961.

(*i*) does not exceed a sum of twenty thousand rupees, the qualifying dividend shall not be included in computing the total income of the unit holder for that year;

(*ii*) exceeds a sum of twenty thousand rupees, the qualifying dividend shall be included in computing the total income of the unit holder for that year, but he shall be entitled to a deduction from the amount of income-tax payable by him of a sum calculated at the rate of twenty-five per cent. on such qualifying dividend.

Explanation.—In this section, "qualifing dividend" means, where the income received by a unit holder from the Trust in respect of units does not exceed one thousand rupees, such income, and where such income exceeds one thousand rupees, a sum of one thousand rupees.';

(*ii*) in sub-section (*2*),—

(*a*) in clause (*a*), the word "and" shall be omitted;

(*b*) in clause (*b*), after the word "individual", the words "who is resident; and" shall be inserted;

(*c*) after clause (*b*), the following clause shall be inserted, namely:—

"(*c*) deduction of income-tax shall be made by the Trust from the income distributed by it to a unit holder being an individual who is not resident in India at the rate of fifteen per cent. of such income.".

Amendment of Act 7 of 1964.

74. In the Companies (Profits) Surtax Act, 1964,—

(*i*) in section 18, the words "and super-tax" shall be omitted;

(*ii*) in the First Schedule,—

(*a*) in clause (*xii*) of rule 1, the words "and super-tax" shall be omitted;

(*b*) in clause (*i*) of rule 2, the words "and super-tax", wherever they occur, shall be omitted, and for the word "super-tax" occurring in sub-clause (*b*), the word "income-tax" shall be substituted;

(*iii*) in the Third Schedule,—

(*a*) in Paragraph 1,—

(*i*) in the first proviso, for the words "of manufacture or production of any one or more of the articles", the words "of construction, manufacture or production of any one or more of the articles or things" shall be substituted;

(*ii*) in the second proviso, for the words "of manufacture or production of any article", the words "of construction, manufacture or production of any article or thing" shall be substituted;

(*iii*) after the second proviso, the following proviso shall be inserted, namely:—

"Provided further that where in the case of an Indian company or a company which has made the prescribed arrangements for the declaration and payment of dividends within India—

(*i*) which is such a company as is referred to in section 108 of the Income-tax Act, and

(*ii*) whose paid up share capital (subscribed and paid for in cash) as on the last day of the previous year, is not less than twenty-five per cent. of the amount of the capital as computed under the Second Schedule to this Act,

the aggregate of—

(*a*) the amount of income-tax payable by the company in respect of its total income of the previous year under the provisions of the Income-tax Act after making allowance for any relief, rebate or deduction in respect of

income-tax to which the company is entitled under the provisions of the said Act or the annual Finance Act after deducting from such amount of income-tax the amount, if any, by which the rebate of income-tax admissible to the company under the provisions of the annual Finance Act is, under the provisions of the said Act, reduced with reference to the face value of any bonus shares or the amount of any bonus issued by the company to its shareholders during the previous year or any previous year prior to that year; and

(*b*) the amount of surtax computed in accordance with the foregoing provisions of this Paragraph,

exceeds the amount calculated at seventy per cent. of the total income of the company, the amount of such excess shall be deducted from the amount of surtax referred to in clause (*b*) above and the balance shall be the amount of the surtax payable by the company.";

(*b*) for Paragraph 2, the following Paragraph shall be substituted, namely:—

"2. The list of articles and things referred to in Paragraph 1 shall be as follows:—

(*1*) Iron and steel (metal), ferro-alloys and special steels.

(*2*) Aluminium, copper, lead and zinc (metals).

(*3*) Coal, lignite, iron ore, bauxite, manganese ore, dolomite, limestone, magnesite and mineral oil.

(*4*) Industrial machinery specified under the heading "8. Industrial machinery", sub-heading "A. Major items of specialised equipment used in specific industries", of the First Schedule to the Industries (Development and Regulation) Act, 1951.

65 of 1951.

(*5*) Boilers and steam generating plants, steam engines and turbines and internal combustion engines.

(*6*) Flame and drip proof motors.

(*7*) Equipment for the generation and transmission of electricity including transformers, cables and transmission towers.

(*8*) Machine tools and precision tools (including their attachments and accessories, cutting tools and small tools), dies and jigs.

(*9*) Tractors, earth-moving machinery and agricultural implements.

(*10*) Motor trucks and buses.

(*11*) Steel castings and forgings and malleable iron and steel castings.

(*12*) Cement and refractories.

(*13*) Fertilisers, namely, ammonium sulphate, ammonium sulphate nitrate (double salt), ammonium nitrate, calcium ammonium nitrate (nitrolime stone), ammonium chloride, super phosphate, urea and complex fertilisers of synthetic origin containing both nitrogen and phosphorus, such as ammonium phosphates, ammonium sulphate phosphate and ammonium nitro phosphate.

(*14*) Soda ash.

(*15*) Pesticides.

(*16*) Paper and pulp.

(*17*) Tea.

(*18*) Electronic equipment, namely, radar equipment, computers, electronic accounting and business machines, electronic communication equipment, electronic control instruments and basic components, such as valves, transistors, resistors, condensors, coils, magnetic materials and micro wave components.

(*19*) Petrochemicals including corresponding products manufactured from other basic raw materials like calcium carbide, ethyl alcohol or hydrocarbons from other sources.

(*20*) Ships.

(*21*) Automobile ancillaries.

(*22*) Seamless tubes.

(*23*) Gears.

(*24*) Ball, roller and tapered bearings.

(*25*) Component parts of the articles mentioned in items Nos. (4), (5), (7) and (9), that is to say, such parts as are essential for the working of the machinery referred to in the items aforesaid and have been given for that purpose some special shape or quality which would not be essential for their use for any other purpose and are in complete finished form and ready for fitment.

(*26*) Cotton seed oil.'.

Amendment of Act 32 of 1934.

75. The Indian Tariff Act, 1934 (hereinafter referred to as the Tariff Act) shall be amended in the manner specified in the Third Schedule.

Surcharge on duties of customs.

76. (*1*) In the case of goods chargeable with a duty of customs which is specified in the First Schedule to the Tariff Act as amended by this Act or any subsequent Act of Parliament, or in that Schedule read with any notification of the Central Government for the time being in force, there shall be levied and collected as an addition to, and in the same manner as, the total amount so chargeable, a sum equal to 10 per cent. of such amount:

Provided that in computing the total amount so chargeable, any duty chargeable under section 2A of the Tariff Act or section 77 of this Act shall not be included.

(*2*) Sub-section (*1*) shall cease to have effect after the 31st day of March, 1966 except as respects things done or omitted to be done before such cesser; and section 6 of the General Clauses Act, 1897 shall apply upon such cesser as if the said sub-section had then been repealed by a Central Act.

10 of 1897.

Regulatory duty of customs.

77. (*1*) With a view to regulating, or bringing greater economy in, imports there shall be levied and collected, with effect from such date, and at such rate, as may be specified in this behalf by the Central Government by notification in the Official Gazette, on all or any of the goods mentioned in the First Schedule to the Tariff Act as amended by this Act or any subsequent Act of Parliament, a regulatory duty of customs not exceeding—

(*a*) 25 per cent. of the rate, if any, specified in the said First Schedule read with any notification issued under section 3A or sub-section (*1*) of section 4 of the Tariff Act; or

(*b*) 10 per cent. of the value of the goods as determined in accordance with the provisions of section 14 of the Customs Act, 1962,

52 of 1962.

whichever is higher:

Provided that different dates and different rates may be specified by the Central Government for different kinds of goods.

(*2*) Sub-section (*1*) shall cease to have effect after the 15th day of May, 1966 except as respects things done or omitted to be done before such cesser; and section 6 of the General Clauses Act, 1897 shall apply upon such cesser as if the said sub-section had then been repealed by a Central Act.

10 of 1897.

(*3*) The regulatory duty of customs leviable under this section in respect of any goods referred to in sub-section (*1*) shall be in addition to any other duty of customs chargeable on such goods under the Customs Act, 1962.

52 of 1962.

(4) The provisions of the Customs Act, 1962 and the rules and regulations made thereunder, including those relating to refunds and exemptions from duties, shall, as far as may be, apply in relation to the levy and collection of the regulatory duty of customs leviable under this section in respect of any goods as they apply in relation to the levy and collection of the duties of customs on such goods under that Act or those rules and regulations. 52 of 1962.

(5) Every notification issued under sub-section (1) shall, as soon as may be after it is issued, be placed before each House of Parliament.

(6) All regulatory duties of customs levied under sub-section (1) of section 58 of the Finance Act, 1964, shall, subject to any notification issued under section 25 of the Customs Act, 1962 read with sub-section (4) of the said section 58, continue to have effect until the other provisions of this section come into force. 5 of 1964. 52 of 1962.

Amendment of Act 1 of 1949.

78. In the Indian Tariff (Amendment) Act, 1949, in sections 4 and 5, for the figures "1965", the figures "1966" shall be substituted.

Amendment of Act 1 of 1944.

79. In the Central Excises and Salt Act, 1944 (hereinafter referred to as the Central Excises Act), in the First Schedule,—

(a) in Item No. 4, under *"II. Manufactured tobacco—"*, for sub-item (2), the following sub-item shall be substituted, namely:—

"(2) Cigarettes .. One hundred per cent. *ad valorem.*";

(b) in Item No. 26, for the entry in the third column, the entry "Sixty rupees per metric tonne." shall be substituted;

(c) in Item No. 26A, for the entries in the third column against sub-items (1) and (2), the entries "One thousand rupees per metric tonne." and "One thousand and five hundred rupees per metric tonne." shall, respectively, be substituted;

(d) in Item No. 26AA,—

(i) for the entry in the third column against each of the sub-items (i) and (ia), the entry "Forty-five rupees per metric tonne *plus* the excise duty for the time being leviable on steel ingots." shall be substituted;

(ii) for sub-items (ii) and (iii), the following sub-items shall be substituted, namely:—

"(ii) Plates and sheets (including uncoated plates and sheets intended for tinning and forms such as ridges, channels, rain water pipes and their fittings made from plates or sheets, but not including plates and sheets after tinning), and hoops, all sorts, other than skelp and strips.	Three hundred rupees per metric tonne *plus* the excise duty for the time being leviable on steel ingots.

(*iii*) Skelp and strips	Three hundred rupees per metric tonne *plus* the excise duty for the time being leviable on steel ingots." ;

(*e*) in Item No. 27,—

(*i*) for the entry in the second column against sub-item (*b*), the entry " Manufactures, the following, namely, plates, sheets, circles and strips in any form or size, not otherwise specified." shall be substituted ;

(*ii*) for the entry in the second column against sub-item (*c*), the entry " Pipes and tubes, other than extruded pipes and tubes." shall be substituted ;

(*iii*) after sub-item (*c*), the following sub-item shall be inserted, namely :—

" (*d*) Extruded shapes and sections including extruded pipes and tubes.	Ten per cent. *ad valorem*." ;

(*f*) in Item No. 28, for the entry in the third column, the entry "Three hundred and seventy-five rupees per metric tonne." shall be substituted.

Special duty of excise on certain goods.

80. (*1*) When goods of the description mentioned in this section chargeable with a duty of excise under the Central Excises Act (as amended by this Act or any subsequent Act of Parliament) read with any notification for the time being in force issued by the Central Government in relation to the duty so chargeable, are assessed to duty, there shall be levied and collected—

(*a*) as respects goods comprised in Items Nos. 6, 8, 9, 14D, 22A, 23A except sub-item (1) thereof, 23B, 28, 29, sub-items (2) and (3) of Item No. 31 and Item No. 32 of the First Schedule to the Central Excises Act, a special duty of excise equal to 10 per cent. of the total amount so chargeable on such goods;

(*b*) as respects goods comprised in Items Nos. 2, 3(1), sub-items I, II(2) and II(3) of Item No. 4, Items Nos. 13, 14, 14F, 15, 15A, 15B, 16, 16A, 17, 18A(2), 21, 22, 23, 23A(1), 27, 30, 31(1), 33, sub-items (1), (3a) and (4) of Item No. 34 and Item No. 37 of that Schedule, a special duty of excise equal to 20 per cent. of the total amount so chargeable on such goods; and

(*c*) as respects goods comprised in Items Nos. 4II(1), 18, 18A(1), 18B, 20, 29A, 33A, sub-items (2) and (3) of Item No. 34 and radiograms comprised in Item No. 37A of that Schedule, a special duty of excise equal to 33⅓ per cent. of the total amount so chargeable on such goods.

(2) Sub-section (1) shall cease to have effect after the 31st day of March, 1966, except as respects things done or omitted to be done before such cesser; and section 6 of the General Clauses Act, 1897 shall apply upon such cesser as if the said sub-section had then been repealed by a Central Act. 10 of 1897.

(3) The duties of excise referred to in sub-section (1) in respect of the goods specified therein shall be in addition to the duties of excise chargeable on such goods under the Central Excises Act or any other law for the time being in force and such special duties shall be levied for purposes of the Union and the proceeds thereof shall not be distributed among the States.

(4) The provisions of the Central Excises Act and the rules made thereunder, including those relating to refunds and exemptions from duties, shall, as far as may be, apply in relation to the levy and collection of the duty of excise leviable under this section in respect of any goods as they apply in relation to the levy and collection of the duties of excise on such goods under that Act or those rules.

Regulatory duty of excise.

81. (1) With a view to regulating or bringing greater economy in consumption, there shall be levied and collected, with effect from such date, and at such rate, as may be specified in this behalf by the Central Government by notification in the Official Gazette, on all or any of the goods mentioned in the First Schedule to the Central Excises Act as amended by this Act or any subsequent Act of Parliament, a regulatory duty of excise which shall not exceed 15 per cent. of the value of the goods as determined in accordance with the provisions of section 4 of the Central Excises Act:

Provided that different dates and different rates may be specified by the Central Government for different kinds of goods.

(2) Sub-section (1) shall cease to have effect after the 15th day of May, 1966, except as respects things done or omitted to be done before such cesser; and section 6 of the General Clauses Act, 1897 shall apply upon such cesser as if the said sub-section had then been repealed by a Central Act. 10 of 1897.

(3) The duties of excise referred to in sub-section (1) in respect of the goods specified therein shall be in addition to the duties of excise chargeable on such goods under the Central Excises Act or any other law for the time being in force and such regulatory duties shall be levied for purposes of the Union and the proceeds thereof shall not be distributed among the States.

(4) The provisions of the Central Excises Act and the rules made thereunder, including those relating to refunds and exemptions from duties, shall, as far as may be, apply in relation to the levy and

collection of the regulatory duty of excise leviable under this section in respect of any goods as they apply in relation to the levy and collection of the duties of excise on such goods under that Act or those rules.

(5) Every notification issued under sub-section (*1*) shall, as soon as may be after it is issued, be placed before each House of Parliament.

(*6*) All regulatory duties of excise levied under sub-section (*1*) of section 62 of the Finance Act, 1964, shall, subject to any notification issued under rule 8 of the Central Excise Rules, 1944, read with sub-section (4) of the said section, continue to have effect until the other provisions of this section come into force.

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82. For the year beginning on the 1st day of April, 1965, no duty under the Central Excises Act, or the Tariff Act shall be levied in respect of salt manufactured in, or imported into, India.

Discontinuance of salt duty.

83. In the First Schedule to the Additional Duties of Excise (Goods of Special Importance) Act, 1957, in Item No. 4, under "*II. Manufactured tobacco*—", for sub-item (*2*), the following sub-item shall be substituted, namely:—

Amendment of Act 58 of 1957.

"(2) Cigarettes Twenty-five per cent. *ad valorem*".

THE FIRST SCHEDULE

(*See* section 2)

PART I

Income-tax and surcharge on income-tax

Paragraph A

In the case of every individual or Hindu undivided family or unregistered firm or other association of persons or body of individuals, whether incorporated or not, or every artificial juridical person referred to in sub-clause (*vii*) of clause (*31*) of section 2 of the Income-tax Act, not being a case to which any other Paragraph of this Part applies—

Rates of income-tax

(1) where the total income does not exceed Rs. 5,000	5 per cent. of the total income.
(2) where the total income exceeds Rs. 5,000 but does not exceed Rs. 10,000	Rs. 250 *plus* 10 per cent. of the amount by which the total income exceeds Rs. 5,000.
(3) where the total income exceeds Rs. 10,000 but does not exceed Rs. 15,000	Rs. 750 *plus* 15 per cent. of the amount by which the total income exceeds Rs. 10,000.
(4) where the total income exceeds Rs. 15,000 but does not exceed Rs. 20,000	Rs. 1,500 *plus* 20 per cent. of the amount by which the total income exceeds Rs. 15,000.
(5) where the total income exceeds Rs. 20,000 but does not exceed Rs. 25,000	Rs. 2,500 *plus* 30 per cent. of the amount by which the total income exceeds Rs. 20,000.
(6) where the total income exceeds Rs. 25,000 but does not exceed Rs. 30,000	Rs. 4,000 *plus* 40 per cent. of the amount by which the total income exceeds Rs. 25,000.
(7) where the total income exceeds Rs. 30,000 but does not exceed Rs. 50,000	Rs. 6,000 *plus* 50 per cent. of the amount by which the total income exceeds Rs. 30,000.
(8) where the total income exceeds Rs. 50,000 but does not exceed Rs. 70,000	Rs. 16,000 *plus* 60 per cent. of the amount by which the total income exceeds Rs. 50,000.
(9) where the total income exceeds Rs. 70,000	Rs. 28,000 *plus* 65 per cent. of the amount by which the total income exceeds Rs. 70,000:

Provided that for the purposes of this Paragraph, in the case of a person, not being a non-resident—

(*i*) no income-tax shall be payable on a total income not exceeding the following limit, namely:—

(*a*) Rs. 6,000 in the case of every Hindu undivided family which as at the end of the previous year satisfies either of the following two conditions, namely:—

(*i*) that it has at least two members entitled to claim partition who are not less than eighteen years of age; or

(*ii*) that it has at least two members entitled to claim partition who are not lineally descended one from the other and who are not lineally descended from any other living member of the family;

(*b*) Rs. 3,000 in every other case;

(*ii*) where such person is an individual or a Hindu undivided family, the income-tax computed at the rate hereinbefore specified shall be reduced by so much of the amount specified hereunder, as does not exceed the amount of income-tax so computed:—

(a) Rs. 100	in the case of an unmarried individual;
(b) Rs. 175	in the case of a married individual who has no child wholly or mainly dependent on him or a Hindu undivided family which has no minor coparcener;
(c) Rs. 195	in the case of a married individual who has one child wholly or mainly dependent on him or a Hindu undivided family which has one minor coparcener wholly or mainly supported from the income of such family;
(d) Rs. 215	in the case of a married individual who has more than one child wholly or mainly dependent on him or a Hindu undivided family which has more than one minor coparcener wholly or mainly supported from the income of such family;

(*iii*) where the total income is twenty thousand rupees or less, the income-tax payable shall not exceed forty per cent. of the amount by which the total income exceeds the limit specified in sub-clause (*a*) or, as the case may be, sub-clause (*b*) of clause (*i*) of this proviso.

Surcharge on income-tax

The amount of income-tax computed in accordance with the preceding provisions of this Paragraph shall be increased by a surcharge for purposes of the Union, which shall be equal to the aggregate of the sums computed as hereunder:—

(*a*) where—

(*i*) in the case of an individual or a Hindu undivided family, the amount of unearned income, not being income by way of interest on any security of the Central or State Government or income received in respect of units from the Unit Trust of India under the Unit Trust of India Act, 1963, included in the total income, or 52 of 1963.

(*ii*) in any other case, the amount of unearned income included in the total income

exceeds Rs. 15,000,

a sum calculated on the difference between the amount of income-tax computed in respect of the income referred to in sub-clause (*i*) or, as the case may be, sub-clause (*ii*), if such income had been the total income and the amount of income-tax computed in respect of an income of Rs. 15,000 if it had been the total income, at the following rate, namely:—

(1) where the amount of the difference does not exceed Rs. 14,500	20 per cent. of the amount of such difference.
(2) where the amount of the difference exceeds Rs. 14,500	Rs. 2,900 *plus* 25 per cent. of the amount by which the difference aforesaid exceeds Rs. 14,500.

(*b*) where—

(*i*) in the case of an individual or a Hindu undivided family, the earned income and income by way of interest on any security of the Central or State Government and income received in respect of units from the Unit Trust of India under the Unit Trust of India Act, 1963, included in the total income, or 52 of 1963.

(*ii*) in any other case, the earned income included in the total income

exceeds Rs. 1 lakh,

a sum calculated on the amount of the difference between the income-tax computed in respect of the income referred to in sub-clause (*i*) or, as the case may be, sub-clause (*ii*), if such income had been the total income and the income-tax computed in respect of a total income of Rs. 1 lakh, at the following rate, namely:—

(1) where the amount of the difference does not exceed Rs. 65,000	5 per cent. of the amount of such difference.

(2) where the amount of the difference exceeds Rs. 65,000 but does not exceed Rs. 1,30,000	Rs. 3,250 *plus* 10 per cent. of the amount by which the difference aforesaid exceeds Rs. 65,000.
(3) where the amount of the difference exceeds Rs. 1,30,000	Rs. 9,750 *plus* 15 per cent. of the amount by which the difference aforesaid exceeds Rs. 1,30,000.

Paragraph B

In the case of every association of persons being a co-operative society as defined in clause (*19*) of section 2 of the Income-tax Act,—

Rates of income-tax

(1) where the total income does not exceed Rs. 5,000	5 per cent. of the total income.
(2) where the total income exceeds Rs. 5,000 but does not exceed Rs. 10,000	Rs. 250 *plus* 10 per cent. of the amount by which the total income exceeds Rs. 5,000.
(3) where the total income exceeds Rs. 10,000 but does not exceed Rs. 15,000	Rs. 750 *plus* 15 per cent. of the amount by which the total income exceeds Rs. 10,000.
(4) where the total income exceeds Rs. 15,000 but does not exceed Rs. 20,000	Rs. 1,500 *plus* 20 per cent. of the amount by which the total income exceeds Rs. 15,000.
(5) where the total income exceeds Rs. 20,000 but does not exceed Rs. 25,000	Rs. 2,500 *plus* 25 per cent. of the amount by which the total income exceeds Rs. 20,000.
(6) where the total income exceeds Rs. 25,000	Rs. 3,750 *plus* 41 per cent. of the amount by which the total income exceeds Rs. 25,000:

Provided that—

(*i*) no income-tax shall be payable on a total income not exceeding Rs. 3,000; and

(*ii*) where the total income is twenty thousand rupees or less, the income-tax payable shall not exceed forty per cent. of the amount by which the total income exceeds Rs. 3,000.

Surcharge on income-tax

Where the total income exceeds Rs. 25,000, the amount of income-tax on such total income computed at the rates hereinbefore specified shall be increased by a surcharge for purposes of the Union of 6¼ per cent. of the amount of the difference between the income-tax so computed and the income-tax computed in respect of a total income of Rs. 25,000.

Paragraph C

In the case of every registered firm,—

Rates of income-tax

(1) where the total income does not exceed Rs. 25,000	*Nil.*

(2)	where the total income exceeds Rs. 25,000 but does not exceed Rs. 50,000	6 per cent. of the amount by which the total income exceeds Rs. 25,000.
(3)	where the total income exceeds Rs. 50,000 but does not exceed Rs. 1,00,000	Rs. 1,500 *plus* 8 per cent. of the amount by which the total income exceeds Rs. 50,000.
(4)	where the total income exceeds Rs. 1,00,000	Rs. 5,500 *plus* 12 per cent. of the amount by which the total income exceeds Rs. 1,00,000.

Surcharge on income-tax

The amount of income-tax computed at the rates hereinbefore specified shall be increased by a surcharge for purposes of the Union of twenty per cent. of the amount of income-tax:

Provided that in the case of a registered firm whose total income includes income derived from a profession carried on by it and the income so included is not less than fifty-one per cent. of such total income, the amount of surcharge for purposes of the Union computed at the rate hereinbefore specified shall be reduced by one-half of such amount.

Paragraph D

In the case of every local authority,—

Rate of income-tax

On the whole of the total income .. 45 per cent.

Surcharge on income-tax

The amount of income-tax computed at the rate hereinbefore specified shall be increased by a surcharge for purposes of the Union of ten per cent. of the amount of income-tax.

Paragraph E

In the case of the Life Insurance Corporation of India established under the Life Insurance Corporation Act, 1956,— 31 of 1956

Rate of income-tax

On the whole of its profits and gains from life insurance business .. 47·5 per cent.

Paragraph F

In the case of every company, other than the Life Insurance Corporation of India established under the Life Insurance Corporation Act, 1956,— 31 of 1956.

Rate of income-tax

On the whole of the total income 60 per cent.:

Provided that a rebate shall be allowed in the case of such companies on such income at such rate or rates as are specified hereunder:—

	Income on which rebate is to be allowed	Rate of rebate
I. In the case of a company which—:		
(*a*) in respect of its income liable to income-tax under the Income-tax Act for the assessment year commencing on the 1st day of April, 1965, has made the prescribed arrangements for the declaration and payment within India of the dividends payable out of such income in accordance with the provisions of section 194 of that Act; and		
(*b*) is such a company as is referred to in section 108 of the Income-tax Act,—		
(*i*) where the total income does not exceed Rs. 25,000	on the whole of the total income	37·5 per cent.
(*ii*) where the total income exceeds Rs. 25,000	(*a*) on so much of the total income as consists of profits and gains attributable to the business of generation or distribution of electricity or of construction, manufacture or production of any one or more of the articles or things specified in the list in Part III of this Schedule	35 per cent.

	Income on which rebate is to be allowed	Rate of rebate
	(*b*) on the balance of the total income	30 per cent.
II. In the case of a company which—		
(*a*) satisfies condition (*a*) of item I hereinabove, and		
(*b*) is not such a company as is referred to in section 108 of the Income-tax Act,—		
(*i*) in the case of a company which is wholly or mainly engaged in the business of generation or distribution of electricity or any other form of power or in the construction of ships or in the manufacture or processing of goods or in mining	(*a*) on so much of the total income as consists of profits and gains attributable to the business of generation or distribution of electricity or of construction, manufacture or production of any one or more of the articles or things specified in the list in Part III of this Schedule—	
	(*i*) on so much of the profits and gains aforesaid as do not exceed Rs. 10 lakhs	35 per cent.
	(*ii*) on the balance of the profits and gains aforesaid	26 per cent.
	(*b*) on any income other than the profits and gains referred to in (*a*) hereinabove—	
	(*i*) on so much of such income as, together with the profits and gains referred to in (*a*) hereinabove, does not exceed Rs. 10 lakhs	30 per cent.
	(*ii*) on the balance of such income	20 per cent.

	Income on which rebate is to be allowed	Rate of rebate
(*ii*) in any other case	(*a*) on so much of the total income as consists of profits and gains attributable to the business of generation or distribution of electricity or of construction, manufacture or production of any one or more of the articles or things specified in the list in Part III of this Schedule	26 per cent.
	(*b*) on the balance of the total income	20 per cent.
III. In the case of a company which in respect of its income liable to income-tax under the Income-tax Act for the assessment year commencing on the 1st day of April, 1965, has not made the prescribed arrangements for the declaration and payment within India of the dividends payable out of such income in accordance with the provisions of section 194 of that Act	(*a*) on so much of the total income as consists of royalties received from an Indian concern in pursuance of an agreement made by it with the Indian concern on or after the 1st day of April, 1961 and which has been approved by the Central Government	30 per cent.
	(*b*) on so much of the total income as consists of fees for rendering technical services received from an Indian concern in pursuance of an agreement made by it with the Indian concern after the 29th day of February, 1964 and which has been approved by the Central Government	30 per cent.
	(*c*) on the balance of the total income	15 per cent.:

Provided further that—

(*i*) the amount of rebate arrived at under the preceding proviso in the case of a company referred to in item I or item II of that proviso shall be reduced by the sum, if any, equal to the amount or the aggregate of the amounts, as the case may be, computed as hereunder:—

(*a*) on the aggregate of the sums computed in the manner provided in clause (*i*) of the second proviso to Paragraph D of Part II of the First Schedule to the Finance Act, 1964 as reduced by the amount, if any, which is deemed to have been taken into account, in accordance with clause (*ii*) of the said proviso, for the purpose of reducing the rebate mentioned in clause (*i*) of the said proviso to nil;	at the rate of 100 per cent.
(*b*) on the amount representing the face value of any bonus shares or the amount of any bonus issued to its shareholders during the previous year with a view to increasing the paid-up capital except where such bonus shares or bonus have been issued wholly out of the share premium account of the company after the 31st day of March, 1964;	at the rate of 12·5 per cent.
and	
(*c*) in addition, in the case of—	
(*i*) a company as is referred to in section 108 of the Income-tax Act, or	
(*ii*) a company as is referred to in clause (*iii*) of sub-section (*2*) or sub-section (*4*) of section 104 of the said Act, or	
(*iii*) such a company as is exempt from the operation of section 104 of the said Act by a notification issued under the provisions of sub-section (*3*) of that section,	
which has declared or distributed to its shareholders during the previous year any dividends other than dividends on preference shares—	
(A) in the case of a company which since the date of the commencement of its activities has declared or distributed any dividends for the first time during the previous year or any one of the four previous years immediately preceding such previous year—	
on that part of the dividends other than dividends on preference shares which exceeds ten per cent. of the paid-up equity capital	at the rate of 7·5 per cent.

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(b) in any other case—

on the whole amount of the dividends other than dividends on preference shares	at the rate of 7·5 per cent. ;

(*ii*) where the sum arrived at in accordance with clause (*i*) of this proviso exceeds the amount of the rebate arrived at under the preceding proviso, only so much of the amounts of reduction mentioned in sub-clauses (*a*), (*b*) and (*c*) of clause (*i*) of this proviso as is sufficient, in that order, to reduce the rebate to *nil* shall be deemed to have been taken into account for the purpose:

Provided further that the income-tax payable by a company, as is referred to in section 108 of the Income-tax Act, and the total income of which exceeds Rs. 25,000, shall not exceed the aggregate of—

(*a*) the income-tax which would have been payable by the company if its total income had been Rs. 25,000 (the income of Rs. 25,000 for this purpose being computed as if such income included income from various sources in the same proportion as the total income of the company); and

(*b*) eighty per cent. of the amount by which its total income exceeds Rs. 25,000.

Explanation 1.—For the purposes of this Paragraph, a company shall be deemed to be mainly engaged in the business of generation or distribution of electricity or any other form of power or in the construction of ships or in the manufacture or processing of goods or in mining, if the income attributable to any of the aforesaid activities included in its total income for the previous year is not less than fifty-one per cent. of such total income.

Explanation 2.—For the purposes of this Paragraph, where a part of the income of a company is not included in its total income because it is agricultural income, the amount declared or distributed as dividends (other than dividends on preference shares), the amount representing the face value of any bonus shares and the amount of any bonus issued to its shareholders shall each be deemed to be such proportion thereof as the sum specified in clause (*a*) bears to the sum specified in clause (*b*), such sums being—

(*a*) the average amount of the total income of the company in the five previous years in which it has been in receipt of taxable income immediately preceding the relevant previous year;

(*b*) the average amount of the total profits and gains (excluding capital receipts) of the company for the five previous years referred to in clause (*a*) reduced by such allowances as may be admissible under the Income-tax Act but which have not been taken into account by the company in its profit and loss accounts for the said five previous years.

Explanation 3.—For the purpose of sub-clause (*b*) of clause (*i*) of the second proviso, "share premium account" means an account forming a separate and identifiable part of the reserves of a company to which has been transferred a sum equal to the aggregate amount or value of the premiums on shares issued by the company.

Explanation 4.—For the removal of doubts it is hereby declared that where any dividends were declared by the company before the commencement of the previous year and are distributed by it during that year, no reduction in the rebate shall be made under sub-clause (*a*) of clause (*i*) of the second proviso in respect of such dividends.

PART II

Rates for deduction of tax at source in certain cases

In every case in which under the provisions of sections 193 to 195 of the Income-tax Act, tax is to be deducted at the rates in force, deduction shall be made from the income subject to deduction, at the following rates:—

	Income-tax	
	Rate of income-tax	Rate of surcharge
1. In the case of a person other than a company—		
(*a*) where the person is resident—		
on the whole income (excluding interest payable on any security of the Central Government issued or declared to be income-tax free, and interest payable on any security of a State Government issued income-tax free, the income-tax whereon is payable by the State Government);	18 per cent.	2 per cent.

	Income-tax	
	Rate of income-tax	Rate of surcharge
(*b*) where the person is not resident in India—		
(*i*) on the whole income (excluding interest payable on any security of the Central Government issued or declared to be income-tax free, and interest payable on any security of a State Government issued income-tax free, the income-tax whereon is payable by the State Government) ;	Income-tax at 25 per cent. and surcharge at 5 per cent. of the amount of the income *or* income-tax and surcharge on income-tax in respect of the income at the rates prescribed in Paragraph A of Part I of this Schedule, if such income had been the total income, whichever is higher.	
(*ii*) on the income from interest payable on any security of the Central Government issued or declared to be income-tax free, and interest payable on any security of a State Government issued income-tax free, the income-tax whereon is payable by the State Government	12·5 per cent.	2·5 per cent.
2. In the case of a company—		
(*a*) where the company is either an Indian company or a company which has made the prescribed arrangements for the declaration and payment of dividends within India,—		
on the whole income (excluding interest payable on any security of the Central Government issued or declared to be income-tax free and interest payable on any security of a State Government issued income-tax free, the income-tax whereon is payable by the State Government) ;	20 per cent.	*Nil.*

	Income-tax	
	Rate of income-tax	Rate of surcharge
(*b*) where the company is neither an Indian company nor a company which has made the prescribed arrangements for the declaration and payment of dividends within India,—		
(*i*) on the income from dividends payable by an Indian company which is not such a company as is referred to in section 108 of the Income-tax Act and which is wholly or mainly engaged in the business of generation or distribution of electricity or of construction, manufacture or production of any one or more of the articles or things specified in the list in Part III of the Schedule ;	15 per cent.	*Nil.*
(*ii*) on the income from dividends payable by any other Indian company or any company which has made the prescribed arrangements for the declaration and payment of dividends within India ;	25 per cent.	*Nil.*
(*iii*) on the income from royalties payable by an Indian concern in pursuance of an agreement which is made by it with the Indian concern on or after the 1st day of April, 1961, and which has been approved by the Central Government ;	50 per cent.	*Nil.*
(*iv*) on the income from fees for rendering technical services received from an Indian concern in pursuance of an agreement made by it with the Indian concern after the 29th day of February, 1964 and which has been approved by the Central Government ;	50 per cent.	*Nil.*

	Income-tax	
	Rate of income-tax	Rate of surcharge
(*v*) on the income from interest payable on any security of the Central Government issued or declared to be income-tax free, and interest payable on any security of a State Government issued income-tax free the income-tax whereon is payable by the State Government ; and .	40 per cent	*Nil*
(*vi*) on any other income .	65 per cent	*Nil*

PART III

List of articles and things

(*1*) Iron and steel (metal), ferro-alloys and special steels.

(*2*) Aluminium, copper, lead and zinc (metals).

(*3*) Coal, lignite, iron ore, bauxite, manganese ore, dolomite, limestone, magnesite and mineral oil.

(*4*) Industrial machinery specified under the heading "8. Industrial machinery", sub-heading "A. Major items of specialised equipment used in specific industries", of the First Schedule to the Industries (Development and Regulation) Act, 1951. 65 of 1951.

(*5*) Boilers and steam generating plants, steam engines and turbines and internal combustion engines.

(*6*) Flame and drip proof motors.

(*7*) Equipment for the generation and transmission of electricity including transformers, cables and transmission towers.

(*8*) Machine tools and precision tools (including their attachments and accessories, cutting tools and small tools), dies and jigs.

(*9*) Tractors, earth-moving machinery and agricultural implements.

(*10*) Motor trucks and buses.

(*11*) Steel castings and forgings and malleable iron and steel castings.

(*12*) Cement and refractories.

(*13*) Fertilisers, namely, ammonium sulphate, ammonium sulphate nitrate (double salt), ammonium nitrate, calcium ammonium nitrate (nitrolime stone), ammonium chloride, super phosphate, urea and complex fertilisers of syathetic origin containing both nitrogen and phorphorus, such as ammonium phosphates, ammonium sulphate phosphate and ammonium nitro phosphate.

(*14*) Soda ash.

(*15*) Pesticides.

(*16*) Paper and pulp.

(*17*) Tea.

(*18*) Electronic equipment, namely, radar equipment, computers, electronic accounting and business machines, electronic communication equipment, electronic control instruments and basic components, such as valves, transistors, resistors, condensors, coils, magnetic materials and micro wave components.

(*19*) Petrochemicals including corresponding products manufactured from other basic raw materials like calcium carbide, ethyl alcohol or hydrocarbons from other sources.

(*20*) Ships.

(*21*) Automobile ancillaries.

(*22*) Seamless tubes.

(*23*) Gears.

(*24*) Ball, roller and tapered bearings.

(*25*) Component parts of the articles mentioned in items Nos. (*4*), (*5*), (*7*) and (*9*), that is to say, such parts as are essential for the working of the machinery referred to in the items aforesaid and have been given for that purpose some special shape or quality which would not be essential for their use for any other purpose and are in complete finished form and ready for fitment.

(*26*) Cotton seed oil.

THE SECOND SCHEDULE

(*See* section 3)

Rates of Annuity Deposits

(*i*) In the case of any depositor whose total income does not exceed Rs. 15,000 .. *Nil.*

(*ii*) In the case of any depositor whose total income exceeds Rs. 15,000 but does not exceed Rs. 20,000—

5 per cent. of the adjusted total income:

Provided that the annuity deposit to be made shall in no case exceed half the amount by which the total income exceeds Rs. 15,000.

(*iii*) In the case of a depositor whose total income exceeds Rs. 20,000 but does not exceed Rs. 40,000—

7½ per cent. of the adjusted total income.

Provided that the annuity deposit to be made shall in no case exceed the aggregate of the following sums, namely:—

(*a*) an amount calculated at five per cent. on so much of the adjusted total income as does not exceed Rs. 20,000;

(*b*) one-half of the amount by which the total income exceeds Rs. 20,000.

(*iv*) In the case of a depositor whose total income exceeds Rs. 40,000 but does not exceed Rs. 70,000—

10 per cent. of the adjusted total income:

Provided that the annuity deposit to be made shall in no case exceed the aggregate of the following sums, namely:—

(*a*) an amount calculated at seven and a half per cent. on so much of the adjusted total income as does not exceed Rs. 40,000;

(*b*) one-half of the amount by which the total income exceeds Rs. 40,000.

(*v*) In the case of a depositor whose total income exceeds Rs. 70,000—

12½ per cent. of the adjusted total income:

Provided that the annuity deposit to be made shall in no case exceed the aggregate of the following sums, namely:—

(*a*) an amount calculated at ten per cent. on so much of the adjusted total income as does not exceed Rs. 70,000;

(*b*) one-half of the amount by which the total income exceeds Rs. 70,000.

Explanation.—In this Schedule, "total income" means total income computed in the manner laid down in the Income-tax Act without making any allowance under section 280O of that Act.

THE THIRD SCHEDULE

(*See* section 75)

PART I

In the First Schedule to the Tariff Act,—

(*i*) in Item No. 30, for the figures "60" and "50" in the fourth and fifth columns, the figures "75" and "65" shall, respectively, be substituted;

(*ii*) in Items Nos. 31, 31(2), 31(3) and 31(5), for the entry against each of them in the fourth column, the entry "100 per cent. *ad valorem*" shall be substituted;

(*iii*) in Item No. 31(1), for the figures "75" and "65" in the fourth and sixth columns, the figures "100" and "90" shall, respectively, be substituted;

(*iv*) in Item No. 44, for the figures "50" in the fourth column, the figures "75" shall be substituted;

(*v*) in Item No. 46(3), for the figures "26" in the fourth column, the figures "50" shall be substituted;

(*vi*) in Item No. 47(2), for the entry in the fourth column, the entry "Rs. 10·25 per kilogram or 75 per cent. *ad valorem*, whichever is higher" shall be substituted;

(*vii*) in Item No. 63(10),—

(*1*) for the entry in the fourth column against sub-item (*i*), the entry "Rs. 305·00 per tonne" shall be substituted;

(*2*) for the entry in the fourth column against sub-item (*ii*), the entry "Rs. 325·00 per tonne" shall be substituted; and

(*viii*) in Item No. 63(20A), for the figures "30" in the fourth column, the figures "100" shall be substituted.

PART II

Item No.	Name of article	Nature of duty	Standard rate of duty	Preferential rate of duty if the article is the produce or manufacture of		Duration of protective rates of duty
				The United Kingdom	A British Colony	
1	2	3	4	5	6	7
"28B	Sodium hydrosulphite	Preferential Revenue	100 per cent. *ad valorem*	90 per cent. *ad valorem*	90 per cent. *ad valorem*	.. ".

In the First Schedule to the Tariff Act, in SECTION VI, after Item No. 28A, the following Item shall be inserted, namely:—

S. P. SEN-VARMA,
Special Secy. to the Govt. of India.

ERRATA

The serial No. and Page Nos. of the Gazette of India Extraordinary, Part II—Sec. 1, dated 15th March, 1965, publishing "The Income-tax (Amendment) Act, 1965", should be (serial No.) "4" instead of "1" and (page Nos.) "12 to 21" instead of "1 to 9" respectively.

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